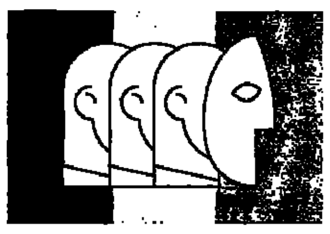
FINANCIAL TIMES

Start the week with...

Melvyn Weiss

Master of the class action suit

Monday Profile, Page 6



Business tribes

MBAs threaten France's elite

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Kenyan election

Moi's last hurrah?

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World Business Newspaper http://www.FT.com MONDAY DECEMBER 29 1997

WORLD NEWS

Brazilian claims $500,000 loss on Danish forex scheme

A Brazilian man claims to have lost nearly $500,000 he sent to a Copenhagen-based company for speculation on his behalf in the foreign exchange market. The company, trading now as Market Forces, is not authorised in any European Union country. Page 10

Scotland-France freight link
The UK government welcomed a decision by Railtrack to press ahead with a £220m ($363m) scheme for an upgraded freight route to link Glasgow in Scotland with the Channel tunnel in southern England. Page 4

Budget threat to Netanyahu
Israel's prime minister Benjamin Netanyahu came under fresh pressure from his nationalist and religious coalition partners to increase spending or face defeat in Thursday's parliamentary vote on next year's budget. Page 10

Spain to repay civil war debt
Spain is to make reparations for seized assets of the losing side in the Spanish Civil War, nearly 60 years after the end of the war. Page 2

Europe: State of the Union
The next six months should lay the groundwork for the most dramatic transformation of the European Union since its foundation. Negotiations will begin to prepare its historic eastward expansion, while members choose the founders of a single currency to be launched on January 1 1999. Next Monday, a special pull-out supplement of the Financial Times will examine the challenges facing the Union and Britain's Labour government, which will hold the EU presidency for the next six months.

Clinton to seek tax cuts
US president Bill Clinton will again seek modest tax cuts aimed at middle-income families when he announces budget proposals early next year, said Rahm Emanuel, his senior adviser for policy and strategy. Page 2

Mayor held over massacre
Mexican authorities have arrested the mayor of the town in Chiapas state where 45 Indian peasants were killed last week, and have accused him of arming the paramilitary gunmen who carried out the massacre. Page 10

Chinese envoy in South Africa
China's vice-premier and foreign minister Qian Qichen arrived in South Africa for a state visit and meeting with President Nelson Mandela that will culminate in establishment of diplomatic ties between their countries. Page 3

Cambridge seeks private fees
UK pupils from private schools would have to pay a premium to attend Cambridge University under radical proposals to be unveiled next month. Page 4

Survey into BSE sheep link
A UK survey of 3,500 farms aimed at establishing whether bovine spongiform encephalopathy (BSE) has spread to sheep is to be undertaken in the new year. Colleges and private companies have been invited to conduct a confidential postal questionnaire. Page 4

Crack in Japanese opposition
Japan's opposition fragmented further when its largest grouping, the New Frontier party, or Shinshinto, voted to dissolve itself. Page 3

Paul Getty becomes UK citizen
Billionaire J. Paul Getty II has revoked his US citizenship and been granted a UK passport after 25 years living there. Page 4

BUSINESS NEWS

Sibneft pays $88m tax bill to avert seizure of Omsk refinery

Sibneft, Russia's fourth largest oil company, said it had paid an outstanding Rbs 513bn ($88m) tax bill on Christmas Day, averting the threatened seizure of its largest refining subsidiary at Omsk. Sibneft became the first Russian company to tap the international debt markets in August, issuing a $150m Eurobond. Page 11

US publishers and information providers increasingly plan to start charging for access to information they make available on the internet. Page 11

Lloyd's of London will get most of its capital from corporate sources for the first time in 1998, after a 30 per cent fall in the number of Names, the individuals whose assets have traditionally supported the insurance market. Page 4

Critchley Group, maker of cable identification products and components for electrical and telecoms sectors, has acquired French specialist manufacturer Groupe Riondet-Malbert for FFr77m (£7.8m). Page 12

Donaldson Lufkin & Jenrette, US investment bank, is expanding its presence in eastern Europe. It intends to focus on debt and equity capital markets, mergers and acquisitions, and private equity. Page 13

Vymura, the wallcoverings manufacturer, has signed a licensing agreement with Italian multinational fashion house Benetton to produce a range for the UK market. Page 12

Xin Hua Estate, an arm of Xinhua – China's state news agency and traditional political base in Hong Kong – has failed to pay HK$1.12bn ($150m) to complete the purchase of new offices in the former colony. Page 11

Australian securities authorities are set to widen their probe into financial problems and possible breaches of disclosure rules at Crown Casino. Page 13

Brazil's finance ministry has agreed with the government of São Paulo to refinance R$59.6bn ($53.5bn) of the state's debt. The deal includes the purchase of troubled bank Banespa. Page 2

China has issued new rules to increase transparency of listed companies' annual reports, demanding clearer financial reporting and more details of shareholding changes. Page 3

Sanwa Bank of Japan is to boost its stake in Thailand's fourth largest bank, Siam Commercial Bank, from 0.6 per cent to about 13 per cent. Page 13

Micro Focus, the software house quoted in London and on Nasdaq, has agreed to buy XDB Systems of the US. Page 12

Vietnam has introduced its first currency swap market in a bid to prise dollar holdings away from foreign banks and help local banks meet short-term trade debts. Page 3

Sebi, India's financial regulator, has put off publication of its blueprint for India's first futures market after a wrangle over wording of the text. Page 13

Duncan Lewis, former head of the UK's Mercury Communications, is to return to the telecoms sector as one of two executive vice presidents at SITA Telecommunication Holdings. Page 11

Taiwan is to raise the ceiling on foreign investment allowed in domestic shares from 25 per cent of total market capitalisation to 30 per cent, early in the new year. Page 2

G7 banks to discuss ways of helping South Korea

Criticism in Washington over handling of the crisis

By Gerard Baker in Washington and Richard Waters in New York

Commercial banks from the Group of Seven industrialised nations are due to hold a series of meetings today to consider how to help South Korean companies meet foreign currency obligations that still threaten the financial stability of the world's 11th largest economy.

The meetings reflect the increasing pressure on international banks to play a leading role in the Korean bail-out, and come as criticism mounts in Washington and elsewhere of the way the crisis has been handled.

Late last week the Korean won soared and stock prices rose sharply after the G7 governments and the International Monetary Fund agreed to speed up the handing over of $10bn from the $57bn in assistance promised to South Korea. But that support was only part of a broader public and private sector package, with commercial banks expected to help in shoring up the country's liquidity, something not all of them have agreed to do.

Eisuke Sakakibara, the Japanese finance ministry's vice-minister for international affairs, said yesterday the bank meetings, which have been called at the prodding of national central banks and finance ministries, would consider how to tackle the banks' hesitation in lending more to South Korea and to roll over their existing loans.

Bankers in the US, where the exposure to Korea is believed to be concentrated in a handful of banks, said they expected existing loans to be rolled over, but it was too early to say whether private sector institutions would advance new money as well. "You first have to maintain the [existing credit] lines, before seeing what can be done next," one US bank said yesterday.

Industry analysts, though, said the banks were likely to come under increasing political pressure to lend more money to ease the country's liquidity crisis. "One of the complaints we are going to hear is of a big bank bail-out," said Bert Ely, a US banking consultant.

The US banks will be meeting against a background of mounting political hostility to the growing cost of bailing out Asian economies. The Clinton administration is to seek support from Congress early in the new year for funds to replenish the IMF's resources. A group of Democrat congressmen will next week propose legislation that would deny extra funding to the IMF without a commitment to improve labour conditions and human rights in the countries receiving IMF assistance.

Some Republicans have also expressed open hostility to the actions of the US and the IMF.

But there seems little immediate threat that political pressures will prevent the US from providing the financial support for South Korea to which it is committed. The US will release early next month $1.7bn from a total commitment of $5bn to the Korean bail-out. But that money will come from a special Treasury resource, the exchange stabilisation fund which the Treasury secretary may use without the need for approval from Congress. This fund has as much as $30bn in total assets that can be deployed with the general aim of stabilising international financial markets.

The IMF said yesterday it needed to review its economic forecasts for South Korea in the light of the won's steep fall.

Union casts shadow, Page 3
According to Kim, Page 9
Editorial Comment, Page 9
Lex, Page 10

Kenyan Democratic party presidential candidate Mwai Kibaki arrives for a rally in Nairobi attended by 10,000 supporters ahead of today's election. President Daniel arap Moi is tipped to win the second multi-party poll in the country's history Three killed, Page 2; Moi's last hurrah, Page 8 Reuters

Ulster paramilitary murders spark fears for peace process

By John Murray Brown in Dublin and George Parker in London

British and Irish ministers yesterday appealed for calm, after weekend tit-for-tat murders threatened to derail the Northern Ireland peace process and return the province to its cycle of sectarian violence.

Police stepped up surveillance of Roman Catholic bars, churches and hotels in Northern Ireland, amid fears of a loyalist massacre in revenge for the murder in the Maze prison of Billy Wright, a loyalist paramilitary leader, by a republican splinter group.

Detectives believe a loyalist gang who later shot and killed doorman Seamus Dillon near Dungannon, Co Tyrone, had planned to open fire on a crowded disco just yards from where he was on duty.

Mr Dillon, 45, was an ex-republican prisoner who had served a life term for IRA murders. Two other doormen and a 14-year-old bar attendant were also hit.

"It is a dangerous time. It is a testing time, and I do not underestimate the seriousness of it," said Mo Mowlam, the UK's Northern Ireland secretary.

The crisis was sparked by the shooting on Saturday of Mr Wright, known as King Rat, inside the high-security Maze prison.

The Irish National Liberation Army, an extreme republican faction, claimed responsibility for the murder.

Mr Wright's former associates in the breakaway Loyalist Volunteer Force, who confirmed their involvement in the Dungannon shooting, warned of more bloodshed to avenge the death of their former commander.

Unionist politicians, who claim Ms Mowlam has made too many concessions to republicans in her search for a lasting peace settlement, stepped up calls for her resignation, but Downing Street said she had the full support of Tony Blair, the prime minister.

With Bill Clinton, the US president, adding his voice to calls for restraint, the government's preoccupation last night was to ensure the main republican and loyalist terror groups stick to their ceasefires.

Bertie Ahern, Irish prime minister, said he was "very concerned" about the implications not just for Northern Ireland but for the Republic. The Loyalist Volunteer Force has in the past carried out a number of botched bomb attacks in Dublin and elsewhere in retaliation for IRA actions.

The breakdown in security is doubly embarrassing coming as it does as 160 loyalist and republican inmates are out on extended Christmas parole – one of the government's measures to build confidence in the peace process in the two communities.

While the LVF and INLA both oppose the current Stormont negotiations, security officials fear a vicious feud between these two splinter groups could easily spill over, forcing the IRA and its loyalist rivals to abandon their ceasefires and resume the armed conflict.

Hong Kong to slaughter chickens in anti-flu move

By Louise Lucas in Hong Kong

Hong Kong's chicken population of more than 1m is to be slaughtered as part of the government's campaign to contain the spread of deadly "bird flu".

The virus, formally named influenza A H5N1, has killed four people in the territory; a further eight cases have been confirmed and eight more are suspected.

The mysterious flu strain, which migrated from birds to humans in May, has spread panic in Hong Kong. Experts from around the world have flown in to determine key issues, such as how the virus is spread, but until they reach conclusions Hong Kong residents are playing safe.

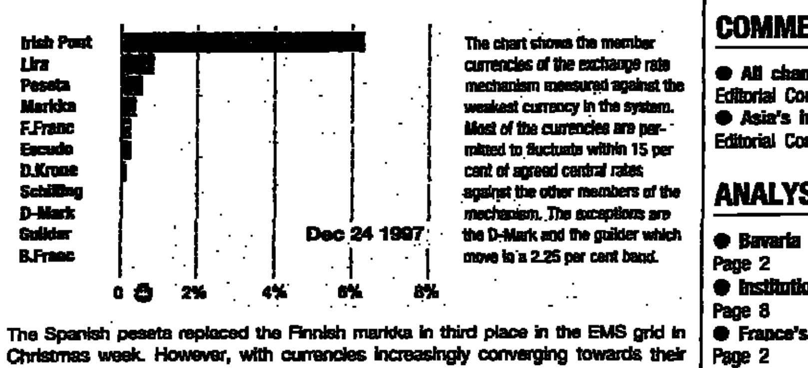
Among other things, this has meant avoiding chicken. Even feasts that traditionally feature the bird, such as last week's winter solstice, were re-fashioned and chicken sellers have reported drastically reduced sales.

Hospitals have been inundated with patients over the holiday period. Bird flu symptoms are similar to those accompanying more common flu, such as fever and sore throats, prompting many to seek professional help when they might normally have reached for an aspirin.

Tourism, an ailing part of the economy even before the advent

Continued on Page 10
Xinhua fails to pay, Page 11

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Spanish peseta replaced the Finnish markka in third place in the EMS grid in Christmas week. However, with currencies increasingly converging towards their central rates and traders on holiday, moves were minute. Currencies, Page 17

London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

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COMPANIES & FINANCE

ECONOMICS

FT.com: the FT web site provides updated news and an updated archive of back articles at http://www.FT.com

Turkish-Italian ties strained over Kurds

By John Barham in Ankara

Events of the past few days have indicated that Turkey's war against Kurdish separatists is losing the country valuable support in Italy, one of its few friends in the European Union.

After a Turkish ship carrying over 800 Kurdish refugees ran aground off the southern coast of Italy on Friday night, Rome called for an "urgent international initiative" to end fighting in the Kurdish regions of south-eastern Turkey and northern Iraq.

However, a Turkish diplomat said Ankara was likely to come out today with a sharp rejection of outside interference in Turkey's 13-year-old war against Kurdish separatists.

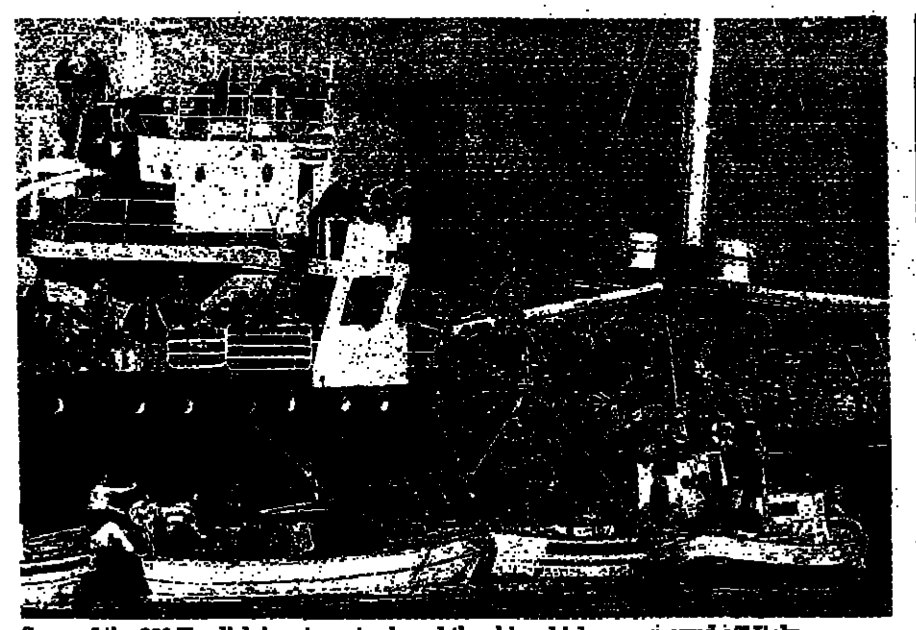
Giorgio Napolitano, Italian interior minister, said the world should "recognise the rights of the Kurdish people" and urged Turkey to "work seriously" to stop illegal Kurdish immigration into Europe. He said "the greater numbers of Iraqi or Turkish Kurds now arriving constitute a difficult problem not just for Italy but for many countries in the European Union."

Speaking at the weekend, apparently before hearing of Mr Napolitano's remarks, Süleyman Demirel, the Turkish president, said Turkey was "determined to defend our territorial integrity until the end." He said nearly 37,000 people, including civilians, soldiers and separatist guerrillas of the Kurdistan Workers' party (PKK) had died since the fighting started in 1984.

Turkey has always dismissed demands, including those made by its friends in the US and the EU, for political and cultural concessions to end the Kurdish uprising.

The politically powerful military has vowed that it will not allow the country to be divided. It has rejected plans to ease tight central control over the large Kurdish minority, even when proposed by conservative Turkish leaders, including Mesut Yilmaz, the prime minister.

However, the hardline policy has alienated opinion towards Turkey in Europe and contributed to the EU's decision at the Luxembourg summit this month to deny the country equal treatment with 11 other applicant countries. Mr Yilmaz broke off political dialogue with the EU and said he would withdraw Turkey's application unless the EU reconsidered its policy by June.



Some of the 800 Kurdish immigrants aboard the ship which ran aground off Italy Reuters

Emigration by Turkish and Iraqi Kurds fleeing violence and poverty in the Kurdish regions has increased sharply this year. Greek and Italian border patrols have picked up thousands of refugees leaving Turkey, usually having paid large "fees" to criminal networks to smuggle them into Europe.

Kurdish organisations warned of a rise in illegal immigration after an intensification of Turkey's operations against the PKK in northern Iraq this year.

The Iraqi government lost control of its Kurdish enclave following the 1990 Gulf war, when Kurdish warlords seized power, with support from the west.

Bavaria defies German sense of gridlock

Edmund Stoiber, the 'free state's' prime minister, seems determined to shake up the country

Shortly before Christmas, in a time-honoured ritual, the German language society named its "word of the year" for 1997. Its choice, *Reformstau*, which translates as "reform blockage" or "gridlock", summed up the frustration of politicians, commentators and ordinary citizens after a wearing year of scant progress towards solving the country's problems of mass unemployment, under-investment and over-regulation.

But there is one part of Germany where the sense of gridlock is absent. Bavaria, the independently minded federal state in Germany's south-east, is on a high, with Edmund Stoiber, the "free state's" prime minister, determined to shake up the rest of the federal republic.

Under the banner of "regionalisation", Mr Stoiber has launched a series of initiatives and proposals in the past three months that aim to curb the power of nationwide institutions and increase the responsibility of Germany's regions for their own affairs.

Affluent Bavaria, together with its neighbour, Baden-Württemberg, has taken the first steps towards mounting a constitutional challenge to Germany's system of fiscal equalisation, which forces rich states to transfer tax revenues to poor states.

Mr Stoiber has opened a debate in Bavaria's ruling Christian Social Union (CSU) party on the regionalisation of Germany's social security system, to limit a further drain of financial resources from Bavaria to other states.

Bavaria is determined to carve out a separate identity in education policy, with Mr Stoiber chafing against the fixing of nationwide standards "of the lowest common denominator" through the present system of consensus among Germany's 16 state education ministers.

He also says that Bavaria should have the right to subsidise its structurally weak regions without European Union interference and that agricultural policy in the EU should be regionalised to safeguard the state's rural culture.

Mr Stoiber's offensives have left much of Germany in shock. Newspaper headlines dubbing him "the Alpine king" suggest that he has got too big for his boots. The Munich-based Süddeutsche Zeitung recently described Bavaria as a "federal state on an ego trip".

The prime minister's ideas for more regional responsibility for health, unemployment and long-term residential care insurance have met a particularly hostile reception. They have been criticised as a threat to the concept of social solidarity, which is central to the political philosophies of the Christian Democratic Union of Helmut Kohl, the German chancellor, and the Social Democratic party, the main opposition. On this issue, Mr Stoiber has even encountered opposition inside the CSU from Horst Seehofer, the Bonn health minister and a politician with strong backing in the party.

Political opponents have accused Mr Stoiber of parochialism and populism and of trying to make easy political gains in the run-up to the Bavarian state election on September 13, in which he will seek re-election and a renewal of the CSU's absolute majority in the state parliament.

Critics say Bavaria, with unemployment of around 7 per cent compared with a national average of 11.8 per cent and nearly 20 per cent in eastern Germany, is being greedy in wanting to overturn long-established fiscal and social security arrangements. If Mr Stoiber gets his way, Bavaria stands to save more than DM5bn ($2.8bn) a year at the expense of other federal states.

But Mr Stoiber's aides insist the regionalisation drive "is not an election gimmick". Mr Stoiber denies his initiatives are parochial. He believes he is moving with the tide of history in which regions, such as Bavaria, have to adapt to developments such as European economic and monetary union.

"There is a renaissance of subsidiarity," he says. "The bigger the European Union, the less it will be capable of operating along the centralised lines of France. Europe will have a much stronger regional component."

Logically, Mr Stoiber's ideas point to radical change in Germany's constitutional architecture. As such, they should fall natural victims to the nation's *Reformstau*.

But Mr Stoiber, as leader of Germany's economically most successful and culturally most cohesive state, is not to be under-estimated. It may be that he has seen in the euro a factor for change so far unrecognised by other German politicians.

Peter Norman

Clinton to seek modest tax cuts for middle class

By Gerard Baker in Washington

US President Bill Clinton will again seek tax cuts aimed at middle-income American families when he announces his budget proposals early next year, a senior White House official said yesterday.

Rahm Emanuel, the president's senior adviser for policy and strategy, said Mr Clinton would propose a number of tax reductions, focused around a central plan to provide extra relief for child care costs for families where both parents work. "Reduce the deficit. Give middle class families a targeted tax cut. That's going to be the approach and it will all be paid for," he told NBC News.

Mr Clinton will kick off the 1998 budget process by presenting his proposals to Congress in early February.

But his relatively modest plan for child care related tax cuts are unlikely to satisfy congressional Republicans, who are eager to use the prospect of the first federal budget surplus in nearly 30 years to legislate much bigger tax reductions. Their enthusiasm for wide-ranging tax cuts will be further enhanced by the enticement of mid-term congressional elections in November, in which they will seek to solidify their hold on both houses of Congress.

The Republican leadership is pressing for wholesale reform of the tax code as a longer-term aim, involving the replacement of the current progressive income tax system with either a flat tax or a national sales tax. But those proposals are controversial, even among Republicans and may not materialise for many years, if at all.

Much more promising for many Congressional Republicans is the opportunity to introduce a significant tax reduction immediately, following this year's cut in the capital gains tax.

Their efforts have been helped by a much faster than anticipated fall in the fiscal deficit.

This year's budget agreement between the White House and the Congress envisaged a balanced budget by 2002, but economic growth and tax revenues have been so strong, and inflation so weak, that the surplus is likely to come much sooner. In the 12 months to October, the Treasury has reported that federal finances were already close to balancing.

Way cleared for Banespa sale

By Jonathan Wheatley in São Paulo

Brazil's finance ministry has signed an agreement with the government of São Paulo to refinance R$59.6bn (US$53.5bn) of the state's debt. The deal includes the purchase of Banespa, the state's troubled bank, clearing the way for its privatisation, probably next year.

It ratifies a preliminary agreement reached in May and approved by the Senate last month. The ministry called it "an important step in balancing state finances and in controlling public debt as a whole".

The bad debt problems of Banespa and other smaller state banks have been a continual problem for Brazil's public finances. The deal should help the country restrain high borrowing at the state level, and thus contribute to cutting Brazil's stubbornly high budget deficit.

Under the agreement, the federal government has taken on debts which were worth about R$51bn in May and which have since grown to about R$59.6bn.

It also paid R$343m for 51 per cent of Banespa and took control of Fepasa, the state's railway company, and Ceagesp, an agricultural distribution company. The ministry said it would probably issue tender documents for Banespa's sale in January.

About three-fifths of São Paulo's debt is in the form of bank loans from Banespa and the state's savings bank, Nossa Caixa. The deal stipulates that the state must repay 20 per cent of this debt by next May.

Banespa's future has been in doubt since December 1994, when the central bank took over its management after the failure of the state government to make loan repayments.

Much of the debt was built up under the governorships of Orestes Quércia (1987-91) and his protegé Luiz Antonio Fleury (1991-1995) and has since grown because of high interest rates. Mr Quércia and Mr Fleury were criticised by a parliamentary inquiry in 1995 for allegedly using Banespa to finance operations benefiting political and business allies.

The government has faced stiff resistance from some governors to the idea of selling their banks, but the process began this year with sales of Banerj, the Rio de Janeiro state bank, and Credireal, of Minas Gerais.

Trading in Banespa's shares was suspended on Friday at the bank's request. The shares have gained 658 per cent since January, as the bank has been slimmed down and the chances of its being privatised have increased.

Spain to settle civil war 'debt'

By Tom Burns in Madrid

The Spanish government has decided to make reparations to the losing side in the Spanish civil war, nearly 60 years after the conclusion of hostilities.

The centre-right government has issued a decree that seeks to restore property and bank accounts to the losers in the 1936-39 war. "The law settles a debt owed by democratic Spain," said Miguel Angel Rodriguez, the government's spokesman. The decree has to be passed by parliament, but is not expected to encounter any trouble. The law was urged on the ruling Popular party by the Basque Nationalists who provide parliamentary support for the minority government of José Maria Azoar and now stand to be one of the main beneficiaries.

Political parties, militia groups, trade unions and humanitarian organisations such as Socorro Rojo (Red Aid), whose assets were seized during and after the war, have a year to put forward claims for what they estimate is due to them.

The government said at the weekend that it had no idea what the cost of the reparations was likely to be, but the Basque Nationalist Party has indicated that the total owed to it is likely to be in the region of Pta5bn ($33m). The law is likely to open a Pandora's Box of claims and counter-claims and keep archivists fully employed in the months ahead.

One problem is that not all the confiscations were carried out by General Francisco Franco, who gained power in the civil war and died in 1975.

For example, the Unified Marxist Workers' party (POUM), the Trotskyist group with which the British writer George Orwell fought, were seized by the Republican government midway through the war at the bidding of the Communist party.

Possibly anticipating such embarrassments, the Communist party said it was in no position to make claims, because it held only a few small bank accounts when the civil war ended.

Further controversy is expected over who the beneficiaries might be, since militias such as the Iberian Anarchist Federation (FAI) and the POUM have long since ceased to exist.

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Dubious party funding ruffles France

By Andrew Jack in Paris

When the French appeals court stripped a senior Socialist politician of his parliamentary seat earlier this month, the decision sent a shock wave around the nation.

The action taken against Henri Emmanuelli, chairman of the National Assembly finance commission, marks a significant victory for French magistrates. It also closes a chapter on the dubious financing methods used by most of the country's political parties until the start of the 1990s.

For some, the judgment against Mr Emmanuelli – an 18-month suspended prison sentence, a FFr30,000 ($5,050) fine and withdrawal of his civic rights including elected office for two years – was too harsh. Despite his conviction for receipt of funds used for influence peddling while Socialist party treasurer, there was no evidence of personal corruption.

Jospin: showed solidarity

Senior members of the government were taken by surprise by the decision. Lionel Jospin, the prime minister, cancelled meetings at short notice to show his "personal" solidarity with Mr Emmanuelli. But the Socialists were equally taken aback by the outrage provoked by their sympathy for the former party official.

The biggest outcry was caused by hasty remarks made by François Hollande, first secretary of the Socialist party, that he would urgently demand a meeting with President Jacques Chirac. The implication was that Mr Hollande was seeking the final appeal possible in France: a presidential pardon. But in the wake of the outrage that followed, Mr Hollande has backtracked, denying that he would ever have asked for such a decision. He argues now that a meeting is no longer necessary, since Mr Emmanuelli has agreed to resign.

As a result, President Chirac has been saved an awkward choice. At a time when corruption and independence of the judiciary are high on the list of public concerns, an intervention would have been politically embarrassing.

But by stepping back from intervention, Mr Chirac may have opened the way for a series of similar political corruption cases in the future.

One case revolves around Urba, a fake consultancy created by the Socialist party which levied "commissions" around the country to fill its coffers from companies seeking contracts.

Things changed with tough new financing laws introduced in 1990 banning corporate donations and placing strict caps and disclosure requirements on contributions to political parties.

But, as one senior Socialist sympathiser puts it, the party was an easy target for finance investigations because "it was relatively poorly advised and unsophisticated" in hiding the financing mechanisms it used.

Investigations are under way into the more subtle methods employed by other parties including the Communists, the centre-right Republic and CDS parties, and President Chirac's own Gaullist RPR movement.

The real test will be whether equally tough sentences will be handed down among the opposition parties. In the meantime, France's legal system has shown its ability to go against the government.

NEWS DIGEST

Bonn may try to end ECB row

Germany could be poised to offer France a compromise in the dispute about who should be first president of the European Central Bank (ECB), a German magazine has reported.

According to Der Spiegel, the German finance minister, Theo Waigel, is considering proposing Wim Duisenberg, the Dutch head of the Frankfurt-based European Monetary Institute, forerunner of the ECB, to head the ECB after monetary union starts next year. But Mr Duisenberg would step down after four years of his eight-year term to be replaced by Jean-Claude Trichet, governor of the Bank of France.

Mr Trichet would, in the meantime, take over as president of the London-based European Bank for Reconstruction and Development (EBRD) when the current president, Jacques de Larosière, leaves.

The German ministry of finance in Bonn dismissed the report – which quotes Mr Waigel – as "pure speculation".

The proposal, if made, would be highly controversial with other European Union governments. While a compromise may be reached between Germany and France, the decision about the presidency of the ECB has to be agreed unanimously by countries taking part in the planned single currency.

The dispute arose after France put forward Mr Trichet as its candidate for the ECB to challenge Mr Duisenberg, seen as the German government's favourite for the presidency. *Graham Bowley, Frankfurt*

■ KENYAN ELECTION

Three die in ethnic violence

Three people were killed and four wounded in south-west Kenya yesterday in ethnic violence on the eve of general elections, police said.

Residents said the killings were sparked by supporters of the ruling Kenya African National Union (Kanu) party trying to intimidate residents into not voting. Tension has risen as rival parties have appealed to tribal loyalties.

President Daniel arap Moi is widely tipped to win the second multi-party polls in the country's history. A few weeks ago many predicted the president would surpass his 1992 performance in seven out of Kenya's eight provinces. But effective campaigning by the main challengers has narrowed his lead.

The polls will be among the most closely monitored in Africa. Religious and civic organisations are posting 27,000 observers to polling booths, while donor governments will have more than 140 experts in the field. But government critics argue that the polls are rigged because of gerrymandering, vote-buying, a biased security apparatus and the continuing anti-opposition slant in the state media. *Michela Wrong, Nairobi*

Moi's last hurrah, Page 8

■ TAIWAN SHARES

Foreign ceiling raised

Taiwan will raise the ceiling on foreign investment allowed in domestic shares early in the new year, the finance ministry said. The cap on foreign equity holdings in the stock market will rise from 25 per cent of total market capitalisation to 30 per cent.

The ministry last loosened foreign stock investment rules in September 1996, when it raised the investment cap to 25 per cent from 20 per cent and allowed foreign individuals to trade in Taiwan stocks.

The change will have limited impact on foreign holdings in the Taiwan stock market but will lift foreign stakes in individual stocks that have reached the ceiling, especially the electronics shares popular with foreign investors. As of December 10, foreign investors held $9.45bn worth of shares in Taiwan's stock market. This left room for a further $74.42bn before the 25 per cent ceiling would be reached. *Laura Tyson, Taipei*

■ CHINA TEXTILES

Reforms may see 1.2m sacked

China has announced plans to reform its troubled textile industry, promising to increase the funds available to write off the sector's debts but also forcing mass redundancies.

Wu Bangguo, China's vice premier with direct responsibility for state enterprise reform, was quoted by the China Daily, the official newspaper, as saying: "The central government has shown its determination to make revitalisation of the textile industry a breakthrough for reforms of state-owned enterprises." At the weekend Mr Wu said he expected more than 1.2m textile workers would lose their jobs over the next three years – including 600,000 people next year alone – as part of the rationalisation process.

Beijing will double the funds available to write off textile industry debts next year to Yn19.7bn ($2.3bn) from Yn9.73bn this year, according to the China Daily report. The government also aims to encourage textile exports by raising the rebate paid on exports to 11 per cent from 9 per cent.

The measures are intended to cut the textile sector's losses by Yn3bn next year from Yn10.6bn this year compared with Yn1.9bn in 1993. The China National Textile Council said the industry would slash the number of spindles by 4.8m next year and will get rid of 10m over the next three years. *James Harding, Shanghai*

■ PANAMA DRUGS

US soldiers will stay on

The US and Panama have agreed to set up an international anti-drugs centre near Panama City, paving the way for the US to retain a military presence after 1999, when the canal comes under Panamanian control.

The planned multilateral counter-narcotics centre has caused some anger in Panama for prolonging the presence of about 2,000 US troops. However, polls suggest about 70 per cent of Panamanians favour the creation of the centre, which will be worth an estimated $200m a year to Panama's economy. The centre needs to be supported in a referendum next year. Other countries, including Mexico and Brazil, will be asked to join the operation.

James Wilson, Panama City

■ ITALIAN DEFICIT

Emu goal 'within reach'

Italy will just manage to contain its 1997 deficit within the 3 per cent of gross domestic product ceiling for the planned single European currency, but with no safety margin.

The Italian business daily Il Sole 24 Ore said yesterday that public administration net debt, the official Maastricht treaty accounting parameter, would fulfil the 3 per cent goal, coming in at around L58,000bn ($33.4bn). This wouold be in line with original government forecasts, but not the 2.8 per cent or 2.9 per cent ratio predicted by some optimists, Il Sole said.

The official public sector borrowing requirement would end 1997 at around L60,000bn against L66,000bn officially targeted. That compares with a 1996 deficit of about L135,000bn, 7 per cent of GDP, according to figures leaked "with great satisfaction" by the Treasury, Il Sole said.

Attention now will turn to the sustainability of these results, with the focus on public accounts for 1998, Il Sole said, the year when the "euro version" of the deficit should fall to 2.8 per cent of GDP, declining to 2.4 per cent in 1999 and to 1.8 per cent in 2000. *Reuters, Rome*

ASIA'S FINANCIAL CRISIS: ■ Labour threat in Korea ■ Vietnamese banks struggle ■ Manila tightens belt

Ramos orders officials to cut spending

Fidel Ramos, president of the Philippines, has ordered government offices to cut expenses by at least 25 per cent next year to help cope with Asia's currency turmoil, AP reports from Manila.

Mr Ramos issued the order at the weekend and recommended steps to cut expenses to ease a steep rise in the budget deficit caused largely by the falling value of the Philippine currency.

The peso has fallen from 26 to about 40 to the US dollar since July.

Mr Ramos said that it was important for government agencies "to match expenditures with available resources" to maintain economic stability and sustain the country's economic growth while financial troubles sweep south-east Asia.

Among the steps he suggested were a ban on foreign travel by government officials next year, except when foreign grants paid the costs, and a freeze on most new financial benefits for government employees.

Mr Ramos, however, is exempt from the travel ban. He is planning to visit Switzerland next year to address an international economic forum.

Government offices have been asked to reduce consumption of fuel, water, electricity and office supplies, according to a copy of the order.

A ban on the purchase of new government cars and equipment has also been imposed.

The austerity plan, drawn up by a government budget committee, takes effect on January 1, and will last for a year unless lifted by the president.

Officials said the peso's decline had driven up the value of foreign currency-denominated expenses and interest payments on the country's foreign debt, resulting in a large budget deficit this year.

Salvador Enriquez, budget secretary, said that the government deficit this year had reached more than 14bn pesos ($356m), largely because of the peso's decline.

He said the problem had been worsened by a shortfall in government revenue collection this year.

Union casts shadow over Korea's new programme

By John Burton in Seoul

The head of South Korea's dissident trade union said he would oppose efforts to cut jobs under the International Monetary Fund's $57bn bail-out programme – raising the prospect of labour strife over economic reforms promised by the nation's new president.

Kwon Young-kil, the leader of the Korean Confederation of Trade Unions (KCTU), rejected a proposal by Mr Kim Dae-jung, the president-elect, to introduce laws that would make it easier for companies to sack workers as part of industrial restructuring.

Mr Kim has been meeting labour leaders to win their support for the IMF programme, which is expected to lead to mass redundancies as companies are forced to cut investments and sell subsidiaries in response to high interest rates set by the IMF.

"The reality of our economy is that we need the co-operation of the IMF," Mr Kim told the KCTU leader. "For that, we must hurry reforms requested by them and lay-offs are inevitable."

Mr Kim, who has been a supporter of the trade unions, had earlier proposed that job cuts could be postponed for six months if workers agreed to wage freezes and shorter working hours, but he has since acknowledged that these efforts may no longer be effective.

Mr Kim has already received the backing of the Federation of Korean Trade Unions, which represents 1.2m workers and is the only trade union to be officially recognised by the government, for the IMF's tough conditions. The KCTU represents another 500,000 workers in key industries, including car and shipbuilding companies.

Mr Kwon demanded that public hearings be held to assign blame for the recent economic crisis and that those officials responsible should be punished. He also vowed to launch a political party to represent the interests of workers, who, he said, were being unfairly forced to bear the burden of mistakes made by the government.

The president-elect has offered to improve Korea's meagre unemployment insurance programme and improve job training to gain union support for job cuts.

Parliament approved legislation at the weekend that would allow the government to tap funds from the underground economy that could be used to finance unemployment insurance. This would include issuing bearer bonds to those holding illegal cash hoards.

However, the protest by Mr Kwon underscores the fact that Mr Kim could face a stiff challenge in convincing angry workers that job cuts are essential for urgently needed foreign investment.

Analysts are predicting that soaring inflation, bankruptcies and job cuts could provoke social unrest that could discourage foreign investment when Korea needs overseas capital to pay short-term foreign debt.

The IMF last week agreed to advance $10bn to Korea to prevent it declaring a debt moratorium. But analysts believe foreign banks must still roll over loans and overseas investors should return to the nation's battered financial markets if Seoul is to solve its debt crisis.

In exchange for the emergency funds, Seoul agreed to extensive reforms that would remove nearly all restrictions on foreign investment in its financial markets.

Korean markets rallied on the news on Friday, but the response was short-lived as the Seoul bourse remained stagnant on Saturday.

It closed for the year at 376.31 points – a 42 per cent decline for 1997. Interest rates ended flat at 27 per cent.

Analysts warned that the high interest rates would lead to funding shortages and more bankruptcies, with banks calling in loans to meet Bank for International Settlement (BIS) capital adequacy levels as demanded by the IMF. The Korean currency, the won, has fallen from 843.70 to the US dollar at the beginning of 1997 to 1,498 last Friday.

Analysts said the won would have to stabilise before foreign investors started to take advantage of record high interest rates and low share prices, which are near a 10-year low, and return to the financial markets.

From tomorrow, the bond market will be fully opened to foreign investors, while foreigners will be allowed to take majority stakes in listed Korea companies and conduct "friendly mergers and acquisitions".

The gospel according to Kim .... Page 9
Editorial Comment .... Page 9

Labour unrest in South Korea: a dissident union has vowed to fight the threat of mass job losses – seen as essential to the IMF-inspired remedy for the country's economic ills

China tightens rules on company reports

By James Harding in Shanghai

China has issued new rules intended to increase the transparency of listed companies' annual reports. They demand greater clarity in financial reporting and more details of changes to shareholding.

The new rules, announced in the China Securities newspaper, the stock markets' official paper, will take effect with the publication of the 1997 full-year results due by the end of April 1998.

The China Securities Regulatory Commission, the chief stock markets regulator, will require details of profit sources as well as asset restructurings, including mergers, acquisitions and other significant transactions.

Listed companies will have to explain the use of funds raised, disclose any changes in their use from the purposes stated in a prospectus, and publish an opinion on the company's operations by its board of directors and supervisory body.

Changes in ownership have become an increasingly frequent feature of life in corporate China, which is undergoing a wave of capital restructuring since President Jiang Zemin approved moves towards a mixed economy at a landmark congress of the Communist party in September.

Lack of transparency in Chinese companies has been one of the chief complaints among domestic and foreign investors. Many international institutional investors, for example, have said they will not invest in companies listed in China's mainland markets in Shanghai and Shenzhen until they improve their openness and financial reporting.

Meanwhile, China has created its largest accountancy firm by merging a dozen accountancies. The new firm's revenues are expected to exceed Yn100m ($12m) this year, according to the Economic Daily, which reported the merger.

China Accounting was formally established in Beijing this week and will employ about 1,000 people, including 480 certified public accountants.

The merger is intended to boost credibility and improve services in the face of competition from domestic and international firms.

Hanoi acts as concerns mount over local banks' ability to meet short-term debts to S Korea

Vietnam introduces currency swap market

By Jeremy Grant in Hanoi

Vietnam has introduced its first currency swap market in an apparent attempt to prise dollar holdings away from foreign banks and help local banks meet short-term trade debts, most of which are owed to South Korean companies.

A central bank official said a decision was issued last week to introduce swap transactions between dollars and the non-convertible dong on a two-week, one-month, two-month, and three-month basis. Rates would be applied daily by the central bank.

The move, which came into effect on Christmas day, comes amid concerns over the ability of Vietnamese companies and banks to meet short-term debts that are falling due soon.

Banks have been struggling to repay significant letter of credit debts since earlier this year, when a series of defaults tarnished the reputation of the communist-run country's financial sector.

A senior central bank official warned in the official Saigon Times Daily that loans owed by banks to foreign institutions "may turn out to be a heavy burden on the economy", and that a "major part" of them would fall due "soon".

The newspaper put the total amount of those debts at about $540m. Hanoi faces a fall in hard currency inflows as a result of the Asian financial crisis and has modest foreign exchange reserves of about $2bn, economists say.

Bankers said added pressure to find dollars comes from Korean trading houses desperate to call in hard currency debts for repatriation to their stricken parent companies. One estimated that about $300m in money owed to Korean companies was due "shortly".

Another motive for launching a swap market was to increase the supply of dollars, easing pressure on the local currency, the non-convertible dong, one western economist said. "They're trying to encourage foreign banks to sell their dollar positions. It's intended to achieve what an exchange rate move would achieve."

Bankers say the dong remains overvalued by about 30 per cent. But Hanoi has ruled out any downward adjustment of its tightly controlled exchange rate, despite continuing damage to its exports. Official reports say regional devaluations have cost state coffers $500m in lost export earnings.

● A little-known, conservative military figure is expected to replace Do Muoi, Vietnam's paramount Communist party leader, after delegates at a landmark party convention apparently voted in favour of the change, diplomats said yesterday.

Gen Le Kha Phieu, 66, has been for months tipped to replace the party general secretary, who will be 81 next month.

However, sources said he might not officially replace Mr Muoi until later next year, as the general secretary was keen to oversee a smooth transition at a time when Vietnam faced threats to economic stability because of the Asian economic crisis and recent bouts of rural unrest.

Figures on output underline weakness of the economy

Japan still on critical list

By Paul Abrahams in Tokyo

The Japanese economy is likely to remain in a critical condition until at least February, according to Koji Omi, the economic planning agency minister. His warning followed the cabinet's approval of an austere budget for the next fiscal year and a flurry of economic data underlining the weakness of the economy.

The budget was approved on December 25 and is expected to be just 0.4 per cent above this year's forecast. It included the first year-on-year cut in the foreign aid budget, the first cut in defence-related spending since 1955 and the largest-ever fall in public works spending – down 7.8 per cent to Y8,990bn ($69bn).

The combination of this year's cut in public works spending and weak consumer demand has fed through to the construction sector, the country's largest employer. Weak consumer confidence meant housing starts declined year on year by 23.5 per cent in November. Construction orders rose just 5.2 per cent.

The number employed in the construction industry – which accounts for 10 per cent of all employment – fell 3.8 per cent to 6.64m in November. Overall, the seasonally adjusted unemployment rate remained at a record high of 3.5 per cent last month.

Growing fears about unemployment contributed to weak retail sales, which fell year on year by 4.7 per cent in November. Department store sales fell 3.5 per cent. The Japan Department Stores' Association said sales of household appliances tumbled 10.3 per cent to Y64bn. Electrical home appliance sales dropped 24.1 per cent to Y6.21bn.

The deflationary forces in the economy were apparent in December's inflation figures for the Tokyo area, where prices rose year-on-year only 1.7 per cent. Nationwide consumer prices increased 2.1 per cent in November. Consumer prices around Tokyo increased 1.3 per cent in this year, after being flat last year and falling 0.3 per cent in 1995. The low inflation data were despite a 2 percentage point increase in sales tax introduced in April.

Poor consumer demand fed through to November's industrial production figures, which fell a worse than expected 4.1 per cent, the biggest drop since March 1996. The Ministry of International Trade and Industry used the word "weak" to describe the output data for the first time in two years. Shipments fell 5.3 per cent, inventories increased 1.4 per cent, while the inventory-to-shipment ratio rose a worrying 6.4 per cent.

Vehicle production fell 7.8 per cent last month, according to the Japan Automobile Manufacturers' Association. Output of cars declined for a second month, down 7.2 per cent to 667,578 units.

However, exports continue to support the economy. Vehicle exports went up 12.7 per cent last month to 371,649, the 18th consecutive monthly rise. Exports to Europe rose 28.8 per cent to 105,500, those to the US rose 0.2 per cent to 106,000, while those to Asia fell 29 per cent to 38,000. But vehicle exports are expected to fall next year, mainly because of the Asian economic crisis.

The crisis is already affecting other Japanese industries. The Nihon Keizai Shimbun newspaper reported that cement makers had been struggling since October to conclude spot contracts in Asia because Thai and Indonesian producers were selling at heavily discounted prices.

Low domestic demand is keeping import growth suppressed. The trade surplus in the first 10 days of December increased 17-fold from Y6.11bn to Y107bn. Officials said the huge increase was partly explained by the fact that the surplus had been shrinking rapidly last year.

Opposition party disintegrates

By Paul Abrahams

Japan's opposition parties fragmented further over the weekend when the largest opposition party, the New Frontier party (NFP), or Shinshinto, voted to dissolve itself. The move was prompted by Ichiro Ozawa, president of Shinshinto. He hopes to eliminate criticism of his leadership from within the party by setting up a new political grouping.

The collapse of the NFP will provide a welcome boost to Ryutaro Hashimoto, prime minister and leader of the ruling Liberal Democratic party (LDP), whose popularity has plummeted in recent months.

The NFP has 173 members in the Diet (parliament) but has had a steady trickle of defections. Most have expressed concern about Mr Ozawa's autocratic style of leadership and his policies – he is an advocate of supply side reforms, based on changes to the tax regime and economic deregulation. The party was formed only in 1994, when Mr Ozawa and a number of MPs defected from the LDP. However, it performed poorly in last year's general election and in by-elections this year.

Mr Ozawa plans to launch his new party next month. It is expected to have about 100 conservative Diet members and may be called the Conservative party or the Reform party.

Mr Ozawa has been pushing for an alliance with the ruling LDP, but moderate members of the ruling party – who oppose dealing with Mr Ozawa – have been in the ascendant this year.

Other Diet members of the NFP will rejoin Komei, a group of upper house members sponsored by Soka Gakkai, the country's largest lay Buddhist organisation. The remainder will join a grouping under Michihiko Kano, who ran against Mr Ozawa in this month's contest for leadership of the NFP.

Over the weekend, Mr Kano met former prime ministers Morihiro Hosokawa and Tsutomu Hata as well as leaders of the Democratic party of Japan. They said they had agreed to co-operate and might create a single Diet grouping.

China draws South Africa away from its friendship with Taiwan

By Mark Ashurst in Cape Town

Qian Qichen, the Chinese vice-premier and foreign minister, arrived in South Africa yesterday for a visit which will culminate with the establishment of formal diplomatic ties.

Mr Qian is to meet President Nelson Mandela today. Diplomatic ties between the two countries will be resumed formally tomorrow, when the Chinese foreign minister will meet his South African counterpart, Alfred Nzo, to sign official documents in Pretoria.

The ceremony will also mark the end of South Africa's diplomatic ties with Taiwan, which Chinese authorities in Beijing regard as a renegade province.

Beijing has insisted that South Africa sever diplomatic relations with Taiwan – which contributed substantially to funding the 1994 election campaign of South Africa's ruling African National Congress – as a precondition for formal ties.

Mr Mandela announced the switch of allegiance in November 1996, after Beijing vetoed his efforts to establish a system of dual recognition with both countries, which he has described as "the two Chinas".

Mr Mandela, whose loyalty to countries which supported the banned African National Congress during the apartheid era has occasionally vexed Washington and other western powers, described the decision to cut ties with Taiwan as "agonising".

The switch in allegiance is a victory for Chinese efforts to push Taiwan into diplomatic isolation, but chiefly reflects the growing volume of trade between China and South Africa.

This could rise to $2bn by 2000, and will be boosted further by the handover of Hong Kong, the former British colony which was returned to China in June. Trade with Taiwan was worth about $1.7bn in 1996.

Christopher Dlamini, the South African ambassador-designate to Beijing, said a recent Chinese trade delegation to South Africa had signed trade and investment contracts worth about $630m. These spanned an array of mineral and metals industries, including diamonds, copper, cobalt, iron ore, feed additives and steel.

Lawyers fear for Kaunda's health as the world protests

By Michela Wrong

Lawyers representing Kenneth Kaunda, Zambia's former president, who has been on hunger strike since his arrest on Christmas Day, said yesterday they were worried about his deteriorating condition and were pressing him to start taking fluids.

"Dr Kaunda is generally in good health, but when you stop getting liquids it takes its toll very quickly," said Sakwiba Sikota, on Dr Kaunda's legal team. "He's at an advanced age and even a young man would find it hard to last in those conditions."

The Zambian government has justified the 28-day detention order imposed on the 73-year-old opposition leader by accusing him of involvement in an abortive military coup attempt on October 28, staged while Dr Kaunda was out of the country on a lecture tour.

Kaunda: condition is deteriorating

But its failure to produce any evidence supporting the claim or lodge formal charges against Dr Kaunda, being held at a maximum security prison under state-of-emergency legislation, have triggered a wave of international protest.

The White House, President Nelson Mandela of South Africa, Britain's foreign office and the Commonwealth all expressed their "extreme concern" over the arrest at the weekend, calling for Dr Kaunda to be either put on trial immediately or released.

The former Tanzanian president, Julius Nyerere, said he planned to visit Zambia tomorrow to convey concerns of regional leaders, while a regional meeting on the affair may be held soon.

It was not immediately clear whether the detention, the latest repressive move by a government once regarded as progressive, would trigger a renewed aid suspension by Zambia's donors. They agreed only in July to ease a previous funding freeze triggered by the decision to bar Dr Kaunda from standing in the 1996 elections, won by Mr Chiluba. Analysts said Mr Chiluba's administration was now unlikely to meet "good governance" conditions some western donors had placed on aid resumption.

Dr Kaunda's lawyers, who will apply for his release in court today, said they believed the plan was to either to keep renewing indefinitely his 28-day detention order, or to charge him and 90 arrested army personnel and opposition supporters with treason.

Slowing of the economy 'may fail to bring inflation below 3 per cent until after 1999'

Further interest rate rises predicted

By Daniel Green

City economists are predicting further interest rate rises in spite of reports from retailers that consumer demand may be slowing.

This is likely to lead to a sharp slowing of the UK economy after several years near the top of the European league table of economic growth, but may fail to bring inflation below 3 per cent until after 1999, say forecasters.

Goldman Sachs said two more base rate rises, each of 0.25 percentage points, were likely before rates peak. HSBC James Capel says any perception that base rates have already peaked "is likely to prove unfounded".

However, both said a rise as soon as the January 7-8 meeting of the Bank of England's Monetary Policy Committee is unlikely.

Instead, there could be a 0.25 percentage point rise in February with another in the spring, said Goldman Sachs. HSBC James Capel says that a rise is possible "well into the first quarter".

These views are in line with those of financial markets, where short sterling futures have been expecting UK rate rises in the new year.

They come against a background of rising pay, leading to strong consumer spending that is partly responsible for inflation remaining above the Bank of England's target.

These factors mean that what may turn out to be a disappointing Christmas is unlikely to affect the Monetary Policy Committee's deliberations, said HSBC James Capel.

It said other than on this very short term view, consumers are showing few signs of holding back.

That means the Bank of England's forecasts of a sharp fall in gross domestic product is unlikely, hence the pressure for further interest rate rises.

As well as the Christmas trading statements from retailers scattered through January, the City is likely to watch closely four other sets of data, said Goldman Sachs.

About 25 per cent of pay deals take effect in January, and retail price inflation excluding mortgage rate changes (RPIX) for December will be published on January 13.

Several quarterly business surveys are published during the month, and a preliminary estimate of GDP in the final quarter of 1997 will be out on January 23.

Even a worsening of the problems faced by some Asian countries, such as Korea, is not likely to deflect the MPC from raising rates.

"The MPC appears prepared to tighten if domestic conditions warrant it even if there is financial market turbulence," says Goldman Sachs.

There will be a powerful effect on GDP growth, according to both securities houses. Year on year growth will slide from a 1997 level of about 3.5 per cent to about 2 per cent by the end of 1998.

Goldman Sachs' new 1999 forecasts suggest growth will remain below 1.7 per cent for the whole of 1999 while RPIX refuses to fall below 3.3 per cent.

UK NEWS DIGEST

EU role to help combat crime

The British government intends to use its imminent presidency of the European Union to co-ordinate action against football hooliganism in the run up to next summer's World Cup finals in France. Jack Straw, the home secretary, also aims to grant new powers to Europol and develop measures to fight illegal immigration, terrorism, drug trafficking and organised crime throughout Europe. He has identified a particular problem with some former Soviet bloc nations hoping to join the EU.

"We have 19th century procedures to pursue 21stcentury criminals," he said, complaining at the length of time it takes for criminals arrested in one EU country to be extradited and tried in another. The British presidency, which runs for six months from January 1, allows the government to chair all meetings of EU ministers. Although some 80 per cent of business is routine, and up to a further 10 per cent arises from unforseeable events, the nation holding the presidency has considerable power to set the European agenda. *Simon Buckby*

■ J PAUL GETTY II

Citizenship for heir to oil fortune

J Paul Getty II, the billionaire philanthropist, has been granted British citizenship after 25 years living in the UK, it was confirmed yesterday. Heir to what was once the world's biggest private oil fortune, Mr Getty, 65, is prepared to pay the price of a British passport in higher taxes. His application for citizenship was granted in the week before Christmas, Home Office sources confirmed. Mr Getty was reported to have immediately revoked his US nationality. The news comes in the week after the British government agreed to re-examine an application for citizenship from Harrods owner Mohamed Al Fayed. The businessman had an earlier request for a British passport rejected without explanation.

Son of John Paul Getty, once the world's richest man, J Paul Getty II is one of Britain's greatest benefactors. With an estimated fortune of £1bn he has been able to give donations thought to total more than £120m ($198m) to UK causes including £50m to the National Gallery and £20m to British Film Institute.

■ BEEF CRISIS

Farm survey to probe sheep link

A nationwide survey of 3,500 farms aimed at establishing whether bovine spongiform encephalopathy has spread to sheep is to be undertaken in the new year. Universities, colleges and private companies have been invited by the agriculture ministry to conduct a postal questionnaire. Replies will be anonymous and confidential. The ministry is advertising the survey as an exercise in establishing accurate figures on scrapie, the fatal brain disease of sheep believed to have caused BSE after cattle were fed on rations containing contaminated sheep remains.

Veterinary scientists are trying to discover whether BSE has passed into sheep that were also fed the processed remains of sheep and cattle. The ministry said: "We are advertising for an outside organisation to run the survey in order to guarantee complete independence. The aim is to establish how much scrapie there is in the flock and how much there has been."

■ HEALTH

Flu fears prompt air quality rules

Tough measures to control air-conditioning on flights are set to be introduced amid fears that passengers are being exposed to dangerous germs. The emergence of a new flu virus in Hong Kong has prompted increasing concern that the germs could rapidly spread to Britain because of poor air conditions on numerous daily flights into Heathrow. The European Joint Aviation Authority plans to introduce strict new controls on air-conditioning in cabins, adding to already tight measures which require airlines to provide a fresh supply of air six times an hour. The Civil Aviation Authority said: "Controls are already tight. Airlines are required by law to provide no less than 50 per cent fresh air at any one time. Cabin air is also changed up to seven times an hour and aircraft cabins are safer than any other form of transport."

■ WORKPLACE

Women's skills not appreciated

The paths women take after compulsory education are leaving them at a disadvantage in the labour market, according to the Policy Studies Institute. A report published today by the independent think-tank says the allocation of training is exacerbating gender inequality in the workplace and women's skills are not being fully appreciated or utilised by employers. *Andrew Bolger*

Ministers welcome plan for rail freight route

Railtrack to link Glasgow and Channel tunnel

By George Parker, Political Correspondent

The government yesterday welcomed Railtrack's decision to press ahead with a £220m ($363m) scheme to create an upgraded freight route linking Glasgow in Scotland with the Channel tunnel terminal in southern England.

The route would take up to 400,000 lorries a year off the roads.

Railtrack plans to widen tunnels and raise bridges on the west coast main line, allowing "piggyback" road trailers to use the route to continental destinations.

The company, which owns the track, signalling and stations on the UK rail network, believes it can complete the upgrading of the west coast main line for considerably less than the £350m originally estimated.

The lower cost reflects the fact the company is undertaking a separate £2bn modernisation of the route over the next five years to carry high-speed passenger trains.

Railtrack said yesterday it hoped the government would provide up to £150m in grants for the project, while there might be additional support from Brussels. It said preliminary talks with officials from the department of environment, transport and the regions had gone well, adding: "They were reasonably happy for us to go forward."

Although John Prescott, the deputy prime minister, has not yet agreed the government should support the scheme financially, his spokesman said: "This sort of scheme is in line with our thinking – we want to see more freight moved by rail."

Railtrack is asking for funding over many years under a public-private partnership, to ensure Mr Prescott's £35m annual freight grants budget is not exhausted on a single project. The company argues that a £150m grant represents good value for money, since it is roughly the cost of adding an extra lane to the overcrowded M6 motorway.

However Robin Gisby, head of freight at Railtrack, said the company would start work on the project without any grants being paid in advance. It could be in operation by 2003.

Hauliers can claim government grants if they shift consignments from road to rail. Railtrack is keen for the grants to be paid in part to train operators which would take shipments that previously went by road, providing an incentive to shippers to switch to rail.

The scheme will help Railtrack reassure the rail regulator and Mr Prescott that it is pursuing vigorous and imaginative investment in its infrastructure.

Last month Mr Prescott's officials said the government was considering taking a small stake in Railtrack as part of a deal which could allow the company to take over the track and signalling of the London Underground network.

However a senior minister has indicated that the option has fallen out of favour.

Reuters

Police search the area around the Glengannon Hotel in Northern Ireland after the murder by pro-British "loyalists" of former republican prisoner Seamus Dillon. The killing followed the murder in prison of loyalist Billy Wright. The incidents sparked fears of widespread violence

Sharp fall in number of Lloyd's Names

By Robert Rice, Legal Correspondent

Lloyd's of London will receive the majority of its capital from corporate sources for the first time in 1998 following another big fall in the number of Names, the individuals whose assets have traditionally supported the insurance market.

Lloyd's will today announce a 30 per cent fall in the number of Names with unlimited liability, from just under 10,000 last year to 6,800.

This continues a trend which began in 1994, when the insurance market first opened its doors to corporate capital following a sharp decline in the capital supplied by Names.

About 1,200 Names have switched from unlimited to limited liability status. But just under 2,000 are quitting the market altogether.

Many Names faced huge losses from the longstanding pollution and asbestos claims which threatened to destroy Lloyd's in the early 1990s.

Lloyd's yesterday said many Names had taken advantage of the annual auction to sell their capacity and recoup what money they could.

In 1996 and 1997 there was little change in Lloyd's £10bn ($16.5bn) capacity – the amount of business syndicates can write.

In 1998 capacity will be just under £10.2bn, of which £6.2bn will be provided by limited liability capital and £4bn by the traditional Names.

Lloyd's expects the decline in the number of Names to continue beyond 2000, particularly as the average age of Names is now more than 60.

"There is still a handful of younger Names coming in on an unlimited basis, but it is literally a handful. However, as long as members want to continue with the unlimited liability tradition we will support it," Lloyd's said.

Manpower survey predicts job buoyancy

By Robert Taylor, Employment Editor

The UK recruitment market will be at its most buoyant in the first quarter of next year than at any time since 1989, according to the survey published today by Manpower, the employment agency.

But the report predicts a sharp downturn in job opportunities in the service sector, especially in retailing.

"This reflects both the expected seasonal downturn and very high levels of expectation recorded in the final quarter of 1997," it says.

The survey reports a substantial demand for employees in manufacturing – notably in electronics and telecommunications – with optimism in building, auto manufacture and general engineering.

It says: "While there is evidence some industries are exercising caution in their medium-term plans, others are expanding their workforce."

Manpower reports signs of employment growth in the public sector after several years of stagnation, with an improvement in job prospects in both local and central government.

Most UK regions are expected to experience an improvement in employment.

The east Midlands is predicted to be the area with the greatest jobs expansion in the first quarter, followed by the west of England, the counties around London, and southern England.

South Wales is the region expected to suffer the biggest net loss of jobs in the first quarter. But a net decline is also predicted in Scotland and north-east England.

"Almost without exception our respondents take a positive view of the immediate future while watching the medium and long term carefully," said Lillian Bennett, Manpower chairman.

"However, they are concerned about potential skill shortages and in addition to reviewing their training plans, they are seeking means to achieve greater productivity and flexibility through different approaches to work fulfilment."

Manpower's survey was carried out among 2,221 companies by the group's 170 UK employment offices. The information was gathered during this month and the forecast is until the end of March 1998.

Executives look forward to growth

Nearly two-thirds of UK business executives believe the new year will usher in a period of sustained economic growth, according to a survey. But more than a third predict an economic downturn next year, Robert Taylor writes.

The report from the Institute of Management says that only 17 per cent of managers think a recession is likely. Most are concerned about rising inflation.

Some 83 per cent of managers are concerned about rising skill shortages in 1998, while 94 per cent of executives expect further interest rate increases. Nearly four out of 10 managers predict rising unemployment during the year. Only 16 per cent of managers think a national minimum wage will be a threat to the competitiveness of their company and 15 per cent believe the European Union social chapter is a danger. More than one in five executives are worried about a stock market crash but 63 per cent believe it is unlikely. The survey was conducted among 267 IM members.

Midlands' exports see upturn

By Richard Wolffe, Midlands Correspondent

Exporters in the UK's industrial heartland appear to have recovered from the worst effects of sterling's rise but are still reporting sales and orders at half last year's levels.

Manufacturers in the West Midlands recorded marginally higher export orders in the final quarter of 1997, after export levels hit their lowest point in 14 years in the autumn.

According to Birmingham Chamber of Commerce, 40 per cent of manufacturers said export orders fell in the three months to December, compared with 45 per cent in the third quarter.

However the impact of orders lost earlier in the year – as sterling reached its highest point against other European currencies – was still emerging towards the end of 1997. Among manufacturing exports, 29 per cent of companies reported worsening sales compared with 27 per cent in the previous quarter.

Richard Ireland, president of Birmingham chamber and chairman of Severn Trent water company, said: "This is a welcome trend, but export sales and orders are still only about half of what they were 12 months ago.

"Forecasts are for widespread job losses among exporters and it will take a dramatic turnaround in the economy to recover sufficiently to be able to avoid workforce reductions."

The Birmingham survey reveals that 15 per cent of manufacturers expect their workforces to decrease in the next three months – twice the level six months ago. Almost a quarter expect their profitability to worsen over the next year.

That contrasts sharply with the service sector, where 50 per cent of West Midlands companies report increasing sales and orders to domestic markets.

The latest figures, published by the Office for National Statistics last week, showed the UK's trade in goods and services dipped heavily into the red in October. The global trade deficit in goods widened to £1.35bn ($2.22bn) – the highest for two years.

Leftwing MEPs ready to quit

By George Parker, Political Correspondent

Two Labour Euro-MPs are set to quit the party, claiming that Tony Blair, the prime minister, was leading Labour towards a right-of-centre coalition with the Liberal Democrats.

Hugh Kerr and Ken Coates are considering creating a leftwing alliance, bringing together socialists, environmentalists and anti-poverty campaigners.

The two leftwing MEPs, who were expected to be purged by the party leadership ahead of Euro-elections in May 1999, said they were dismayed by the rightward drift of Labour policy.

Their move came on the day Paddy Ashdown, the Liberal Democrat leader, called for a strengthening of his party's working relationship with Labour in 1998, to cover issues like welfare and education reform.

The Labour leadership reacted coolly to the likely defection of Mr Kerr and Mr Coates, who predicted that other Labour MEPs could join them in contesting the next Strasbourg elections on an alternative slate. A party official said: "If they can't support party policy they should do the honourable thing and resign."

Mr Kerr said he was hopeful that candidates standing on the alternative slate could win at least 10 per cent of the vote, enough to get a candidate elected under the new system of proportional representation.

Mr Kerr argued that Mr Blair seemed determined to join forces with the Liberal Democrats in a "government of national unity" on the centre-right of politics.

In his new year message, Mr Ashdown delivered a rebuke to his party activists who want to stay at arms-length from Labour, arguing that they should have "the self-confidence to continue to work with others".

He insists the party must work with the government to complete "five great tasks": modernising the constitution, improving public services including education, ending the class system, changing attitudes on the environment and modernising the UK's relationship with Europe.

Privately educated pupils would be made to pay more to study at Cambridge

University plans premium fee scheme

By Simon Targett, Education Correspondent

Pupils from fee-paying private schools would have to pay a premium to go to Cambridge University under radical proposals to be unveiled by a group of college bursars next month.

Under the plan, the university would become part of a British-style "ivy league" of elite institutions entitled to charge rich undergraduates extra fees to cover the costs of running world-class courses.

Other universities with a high ranking reputation and a high proportion of wealthy students educated at private schools – including Bristol, Durham, Edinburgh and Oxford – would be invited to join the league.

The fee – which would supplement the £1,000 a year tuition fees to be introduced by the government next year – would be waived for state school pupils under a scholarship scheme financed initially by the government but eventually by business.

The bursars, who represent some of Cambridge's most famous colleges, including Peterhouse, the university's oldest institution, are unhappy that the university authorities may negotiate away the right to charge college fees – and with it the colleges' age-old autonomy – in order to save Oxbridge's £35m of special funding.

Under the self-styled "counter proposal", Cambridge colleges would be permitted to charge rich students extra fees and a scholarship scheme would be set up with funds, which the government currently claws back from the university to take account of the fact that it contributes towards the cost of running the individual colleges.

The bursars say that if the government no longer pays for the colleges, the money it claws back – totalling £11m – should return to the university. Andrew Murison, the Peterhouse bursar, acknowledged the plan could prompt a fall in applications from private school pupils. "There already is an erroneous perception in private schools that the Cambridge admissions system is biased against them, and this could be another nail in the coffin."

But he said the alternative was "a complete non-starter", since it involved the end of college fees and, by implication, the end of the college system.

Mr Murison said the colleges were prepared "to put themselves in a market situation" and justify the extra fees on the basis of excellence.

The problem for the colleges is that even if they win the backing of the vice chancellor, the government has set itself against what advisers call "the Americanisation of the university system". It is introducing legislation which would allow ministers to penalise institutions which charge students extra fees.

However ministers are keen to see Cambridge open its doors to more pupils from state schools and the government has examined the potential savings if it did not have to subsidise students from private schools.

Growth in tourism forecast despite strength of sterling

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The number of tourists visiting the UK will grow in 1998 despite the strength of sterling and financial turmoil in Asia, according to the British Tourist Authority.

The areas of strongest growth are likely to be short breaks and visits to friends and relatives. The BTA expects 26m people to have visited in 1997 and 26.7m in 1998. It forecasts that the amount they spend will rise from £12.7bn ($21bn) in 1997 to £13bn by the end of 1998.

Overseas visitors spent £12.4bn in 1996.

The number of tourists from North America increased by 11 per cent in the first nine months of 1997 compared with the same period last year, according to the Office of National Statistics.

But visits from western Europe fell by 1 per cent over the same period.

Sterling has increased by 12 per cent against the D-Mark and 11 per cent against the French franc in the last 12 months. Europe is Britain's biggest market, accounting for two-thirds of tourist visits last year.

The BTA said it was difficult to forecast how many tourists would visit the UK from Asia, the fastest-growing outbound market, due to the financial turmoil in the region.

The UK has attracted a growing number of tourists since the recession of the early 1990s, culminating in 1996's record 25.3m.

However, the number of British tourists taking overseas holidays has outstripped the growth in visitors to the UK, leading to a £3.9bn deficit on the tourism balance of payments in 1996, a trend which has continued into 1997.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey National 5½% Und Sb Nts Y2750000.0
Do Fxd/FRN Y2000000.0
Abbey National Treasury 7½% Gtd Nts 1998 FFr750.0
Do 8⅝% Nts 1997 £862.50
Acres (No 1) Class A Comm Mtg Bckd FRN 2005 £22.14
Do Class M1 £204.26
Do Class M2 £214.24
Do (No 2) Class A Mtg Bckd FRN 2007 £143.20
Do Class M1 £193.04
Do Class M2 £203.02
Do (No 3) Class A Mtg Bckd FRN 2006 £176.66
Do Class M1 £190.88
Do Class M2 £196.46
All Nippon Airways 4.4% Nts 2000 Y440000.0
Bank fur Arbeit und Wirtschaft Sb FRN 1999 $311.55
British Aerospace 11⅞% Bd 2008 £593.75
Cadbury-Schweppes 8% Nts 2000 £80.0
Ebara 4½% Bd 2000 Y450000.0
Fin Rcvbld for Sec Transactions No 4 Mezz Asset-Bckd FRN 2010 £2161.06
Do Snr Asset-Bckd FRN 2010 £668.15
Fleming Worldwide Inc Inv Tst 1p
Do Units 1p
Fuji Bank Int Fin Und Sb Gtd FRN Y28451.0
Halifax Sb Var Rate Nts £191.04
Havelock Europa 1.75p
Hitachi Credit 5⅞% Nts 2000 $58.75
Italy FRN 2000 $301.91
Kyushu Elec Power 8⅛% Nts 1999 $406.25
Metropolitan Water Kent Water 3% Db £1.50
Midland Bank Und Prim Cap FRN (Jun 1985) $314.76
Narborough Plantations 1.2p
Do 20% Cm Pf 1p
Nat West Bank 8⅛% Step-up Sb Nts 2011 £837.33
Nova Scotia 7% Nts 2000 C$70.0
Portsmouth & Sunderland Newspapers 4.78p
Residential Prop Secs No 3 Class A2 Mtg Bckd FRN 2025 £1376.86
Do Class B £2129.89
Sabre Int (No 2) Ser P Var Rate Nts 1998 Y23173.0
Skipton Bldg Scty Sb FRN 2000 £40167.81
Smithkline Beecham 8⅜% Gtd Nts 2000 £83.75
Smith & Nephew 5½% Cv Bd 2000 $275.0
Stars 1 Class A Mtg Bckd FRN 2029 £93.29
Toyota Motor Credit 7¼% Nts 1999 £72.50
Do Cm Rd Pf 2005 5.625p
Airflow Streamlines 10% Cm Pf 5p
Alexanders 9½% Cm Pf 3.325p
Allied Domecq 11¾% Db 2009 £5.875
Allied Lon Props 10¾% 1st Mtg Db 2025 £5.375
Anglo & O'seas Tst 8½% Db 2020 £4.25
Antofagasta 5% Cm Pf 2.5p
Asda Prop 5⅛% Cv Pf 2012 2.5625p
Do 9⅛% 1st Mtg Db 2020 £4.5625
Avon Rubber 4.9% Cm Pf 2.45p
Bampton 8¼% Un Ln 2002/07 £4.125
Baring Tribune Inv Tst 9⅛% Db 2012 £4.5625
Blue Circle 7⅝% Cv Pf 3.8125p
BOC 4.55% Cm Pf 2.275p
Do 2.8% Cm 2nd Pf 1.4p
Do 3.5% Cm 2nd Pf 1.75p
Bodycote 3.5p
Braime (TF & JH) 5% Cm Pf 2.5p
Brake Bros 3.2p
Bridon 6⅝% Un Ln 2002/07 £3.3125
Do 7¾% Un Ln 2002/07 £3.875
Bristol Water 3½% Perp Db £1.75
Do 4% Perp Db £2.0
Do 4¼% Perp Db £2.125
Britannic Assurance 5% Tax-Free Cm Pf 2.5p
Brittax Int 0.85p
British Fittings 5½% Cv Pf 2.75p
British Guiana Demerara Rlwy 4% Perp £2.0
Do Anns 50p
Brixton Est 5% Cm Pf 0.875p
Do 9½% 1st Mtg Db 2026 £4.75
Do 11¼% 1st Mtg Db 2023 £5.625
Do 10¾% 1st Mtg Db 2025 £5.375
Broadstoner 6% Cm Pf 2.1p
Brunner Inv Tst 5% Cm Pf £1.75
Burford 9⅝% 1st Mtg Db 2019 £4.8125
Capital & Counties 11¼% 1st Mtg Db 2021 £5.625
Do 9⅞% 1st Mtg Db 2027 £4.9375
Capital Inds Cv Pd 2001/05 4p
Cap & Regional Props 6¾% Cv Un Ln 2006/16 £3.375
Capital Shopping Centres 6¼% Sb Cv Bd 2006 3.125p
Care First 11.8% 1st Mtg Db 2014 £5.90
Charnos 7% Cm Pf 2.45p
Chelsea Bldg Scty Sb FRN 1999 £39383.56
City of London Inv Tst 11½% Db 2014 £5.75
City Site Estates 7% Un Ln 2005/06 £3.50
Clydeport Operations 4% Irrd £2.0
Coats Patons 4½% Un Ln 2002/07 £2.25
Do 6¾% Un Ln 2002/07 £3.375
Cobham 4.2% 2nd Cm Pf 2.1p
Commercial Union 8¾% Cm Irrd Pf 4.375p
Commonwealth Bank of Australia 10 Yr Ext FRN $304.43
Cookson 7% Cm Pf 2.45p
Co-operative Wholesale 7⅝% 1st Mtg Db 2018 £3.8125
Coutts Consulting 2nd Cv Pf 4p
Croda Int 5.9% Pf 2.95p
Do 6.6% Pf 3.3p
Daewoo Heavy Inds ¼% Cv Bd 2007 $11.32
De Beers Centenary Fin 9¾% Gtd Bd 2020 4.875p
Delta 4.2% Cm 1st Pf 2.1p
Do 3.15% Cm 2nd Pf 1.575p
Dencora 6¼% Rd Pf 3.125p
Den Danske Bank Sb FRN 2000 $306.67
Denmark (Kingdom of) 13% Ln 2005 £6.50
Derby Tst 7½% Db 1999/2003 £3.75
Dumyat Inv Tst Cv Mnthly 0.5p
Eastbourne Water 11.2% Rd Db 2005/09 £5.60
Do 12½% Rd Db 2004 £6.25
Ecclesiastical Ins 10% Cm 2nd Rd Pf 5p
Do 8⅝% Non-Cm Irrd Pf 4.3125p
Edinburgh Inv Tst 11½% Db 2014 £5.75
EIS 5% Cm Pf 1.75p
EMAP 5% Cm Pf 1.75p
Energy Cap Inv 6% Cv Ln 1999 £2.08
Estates & Agency 11¼% 1st Mtg Db 2020 £5.625
Estates & Gen 11¼% 1st Mtg Db 2018 £5.625
Fidelity Euro Values Equity IL Un Ln 2001 1.0514p
Fidelity Special Values Equity IL Un Ln 2004 39.24p
Finlay (J) 1.8p
Do 4.2% Cm 1st Pf 2.1p
Do 4.2% Cm 2nd Pf 2.1p
Do 5% Cm 2nd Pf 2.5p
Flare 10% Cm Pf 5p
Fleming American Inv Tst 5% Cm Pf £1.75
Do 7% Cv Un Ln 1999 £3.50
Fleming Claverhouse Inv Tst 11% Db 2008 £5.50
Fleming Inc & Grwth Inv Tst 5% Cm Pf £1.75
Fleming Overseas Inv Tst 5% Cm Pf 1.75p
Folkestone & Dover Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11½% Rd Db 2004 £5.75
F & C Inc Grwth Inv Tst 0.8p
F & C Inv Tst 11¼% Db 2014 £5.625
Fortnum & Mason 7% Cm Pf 2.45p
Friendly Hotels 5% Cv Pf 2.5p
Frogmore Ests 13.85% 1st Mtg Db 2000/03 £6.925
Fulcrum Inv Tst 1.4p
GATX $0.46
G.R. 10½% 2nd Cm Pf 5.25p
Gartmore Shared Equity Tst Geared Inc 2.475p
Gaskell 5% Cm Pf 1.75p
Geest 4p
General Cons Inv Tst Stppd Pf 2.492p
Glynwed Int 7¾% Cm Pf 2.7125p
Govett Oriental Inv Tst 0.2p
Grampian 7% Cm Pf 2.45p
Great Universal Stores 5⅜% Rd Un Ln £2.6875
Do 6⅜% Rd Un Ln £3.1875
Guardian Media 4% Cm Pf 1.4p
Halstead (J) 5½% Pf 1.925p
Hawtin 4.55% Pf 2.275p
Headlam 5.6% Pf 2.8p
Henderson-Elec & Gen Inv Tst 10.1% Db 1997/2002 £5.05
Hughes (TJ) 0.97p
Hunting 3p
Do 4.2% Pf 2.1p
IMI 5½% Un Ln 2001/06 £2.75
Inchcape 4.4p
Invesco Enterprise Tst Cm Rd Stppd Pf 7.125p
Jarvis Hotels 3.80125-6.84225% Stppd Int 1st Mtg Db 2004 2.28075p
Jones & Shipman 4.9% Cm Pf 0.6125p
Jupiter Geared Cap & Inc Tst 1999 1.5p
Kayser Bondor 6% Cm Pf 2.1p
Kilroot Elec 9½% Db 2006/10 £4.75
Kleinwort O'seas Inv Tst 4% Cm Pf £2.0
Kvaerner 7% Un Db 3.5p
Laird 8.9p
London Park Hotels 10½% 1st Mtg Db 2000/05 £5.25
London Town 1p
Manganese Bronze 8¼% Cm Pf 2.8875p
Marley 11⅞% Db 2009 £11.875
Marshalls 11⅜% Db 1992/2014 £5.6875
Marshalls Universal 7½% Rd Pf 3.75p
Marston Thompson & Evershed *7¼% Db 2027* £0.993151
Marylebonbe Warwick Balfour 7½% Cv Un Ln 2020 £3.75
MEPC 12% Bd 2006 £600.0
Merchant Retail 8¾% Un Ln 1999/2004 £4.375
Merivale Moore 10½% 1st Mtg Db 2020 £5.25
Mid-Kent Water 4% Perp Db £2.0
Do 5% Perp Db £2.5
Mid Southern Water 3½% Perp Db £1.75
Do 5% Perp Db £2.50
Molyneux Fin 8¼% 1st Mtg Db 2019 £4.125
Mowlem (J) 1.5p
Mucklow (A & J) 7% Cm Pf 2.45p
Murray Int Tst 4% Db £2.0
Nedcor Global Dep Rcpts R1.44
Newton Chambers 5% 1st Cm Pf 1.75p
NHL (3) Class A2 Dfd Int Mtg Bckd FRN 2036 £123.26
Do Mezz £164.10
Northern Rock Bldg Scty 12⅝% Perp Sb Nts £63.125
Northern Telecom $0.15
North Surrey Water 5% Db £2.5
Northumbrian Water 3¾% Rd Db 2012 £1.875
Do 12% Rd Db 2005 £6.0
Parma Food Jnr Asset Bckd FRN 2000 L1824828.0
Do Snr Asset Bckd FRN 2000 $1525.35
Partners 0.5p
Pascoes 7½% Cv Pf 3.75p
Pittards 9.5% Cm Pf 4.75p
Plantation & Gen Invs 9% Cv Ln 1999 £4.50
Polyhedron 10% Cm Pf 5p
PowerGen 9p
Quarto 8.75p Pf 4.375p
Queens Moat Houses 12% 1st Mtg Db 2013 £6.0
Quicks 10% Cm Pf 5p
REA 9% Cm Pf 4.5p
Do 12% Ln 2000 £6.0
RJB Mining Gtd FRN 1997 £216.09
Regal Hotel Cv Rd Pf 2001 4p
Regis Prop 8¾% Gtd Un Ln 1997 £4.375
Retail Corp 6½% Cm Pf 2.275p
Do 5¾% Cm 2nd Pf 2.0125p
Robinson (Ryders Green) 11% Pf 5.5p
Rotork 9½% Cm Pf 4.75p
Royal Bank of Canada Fltg Rate Db 2005 $52.71
Royal Bank of Scotland 5½% Cm Pf 1.925p
Do 11% Cm Pf 3.85p
Do Ser B Non-Cm Pf $0.70
Do Ser C Non-Cm $ Pf $0.59375
Rugby 6% Un Ln 1993/98 £3.0
Do 7¾% Un Ln 1993/98 £3.875
St Andrews Tst 5¼% Cm Pf £1.8375
Savoy Hotel 4% 1st Mtg Db £2.0
Schroders 8¾% Un Ln 1997/02 £4.375
Schroder Split Fd 2.1p
Scottish Eastern Inv Tst 4½% Cm Pf £1.575
Scottish Mortgage & Tst 6-12% Stppd Int Db 2026 £6.0
Scottish National Tst 6% Cm Pf 2.1p
Severn River Crossing 6% IL Db 2012 £3.497
Shires Smaller Co's 1.375p
Simon Eng 9¼% Db 1992/97 £4.625
Sirdar 7½% Cm Pf 2.625p
Slough Estates 11¼% 1st Mtg Db 2019 £5.625
Do 12⅜% Un Ln 2009 £6.1875
Smithkline Beecham 1.225p
Smurfitt (Jefferson) 6% Gross Pf IR2.7p
Sunderland 3% Fd Debt Anns £1.50
Do 4½% Fd Debt Anns £2.25
Sutcliffe Speakman 9½% *Cm Pf 4.75p*
Swan Hill 7% Cm Pf 2.45p
Temple Bar Inv Tst 9⅞% Db 2017 £4.9375
Tootal 4¾% Perp Db £2.375
Transport Deve 4.7% Pf 2.35p
Do 8¼% Un Ln 1993/98 £4.125
TR Technology Stppd Pf 3.878321p
Do Units 15.513284p
UniChem 3.2p
United Auctions 4p
United Kingdom Prop 8½% Un Ln 2000/05 £4.25
Waddington 4.2% Cm Pf 2.1p
Do 5.6% Cm Pf 2.8p
Watmoughs 8¼% Cm Rd Pf 2006 4.125p
Wells Fargo Sb FRN 2000 $53.28
West Kent Water 4% Perp *Db £2.0*
Whirlpool $0.34
Widney 8.76% Cv 2nd Pf 2000 4.38p
Wilson (Connolly) 8% Cm 1st Pf 2.8p
Do 10.5% Cm 2nd Pf 5.25p
Wolverhampton & Dudley Brews 6% Cm Ptg Pf 2.8p
Wood (A) 7½% Cm Pf 2.625p
Wyevale Garden Centres 8.5p Cv Pf 4.25p

■ **TOMORROW**
Abbey National Treasury 7⅛% Gtd Nts 1998 £71.25
Do 7⅝% Gtd Nts 1998 £76.25
Bayerische Hypotheken 6¾% Nts 1999 £86.63
Canadian General Invs C$0.50
Gartmore Smaller Co's Tst 4.5p
Jersey Phoenix Tst 1.5p
Kyushu Elec Power 8% Nts 1997 £80.0
Morgan Grenfell Equity Inv Tst 0.85p
National Grid 7⅜% Bd 1999 £73.75
Nova Scotia 6¼% Nts 2002 C$54.17
Regal Hotel 9% 1st Mtg Db 2006 £4.50
Slough Estates 11⅝% Bd 2012 £1162.50
Tendring Hundred Water 4% Db £2.0
Venantius 7¼% Nts 2002 £54.98
VTech (Lon Reg) $0.04
Do (Bermuda) $0.04
Wah Kwong Shipping HK$0.117

■ **WEDNESDAY DECEMBER 31**
Abbey National Treasury 7% Gtd Nts 1999 C$70.0
Do 7¾% Gtd Nts 2003 £77.50
ABSA Global Dep Rcpts $0.325
Aggregate Inds 3.85% Cm Pf 1.925p
Do Cv Rd Pf 3.625p

■ **THURSDAY JANUARY 1**
BICC Cv Pf 4.3p
Barbados 13½% Ln 2015 6.75p
Baynes (C) Cv Pf 2.9p
Birmingham 2½% 1926 £1.25
Do 3% 1947 £1.50
Do 3% 1932 £1.50
Do 3½% 1946 £1.75
Do Gas Anns 50p
Do Water Anns 50p
Blackburn 3½% Irrd £1.75
Do 4% Cons Db Irrd £2.0
Blockleys 6% Cm Pf 1.05p
Boosey & Hawkes 5½% Cm 1st Pf 1.925p
Do 7% Cm Pf 2.45p
Calgary & Ed Rlwy 4% Db 2002 £2.0
Can Pacific 4% Perp Db £2.0
Coastal $0.10
Commercial Union 3½% Cm Pf 1.75p
Crane Europe 5½% Pf 1.925p
Denmark 3½% Ln 1901 £0.485275
Elliott (B) 3.15% Cm Pf 1.575p
Fleming O'seas Inv 4½% Perp Db £2.25
Friendly Hotels 4¾% Cv Pf 2.375p
Do 7% Cv Pf 3.5p
Do 11⅛% 1st Mtg Db 2015 £5.5625 Fuller Smith & Turner 4.2% Pf 2.1p
Do 8% 2nd Pf 4p
GTE $0.47
Hampton Tst 5½% Cm Rd Pf 2.75p
Do 8% Cv Un Ln 2020 £4.0
Hewetson 7% Cm Pf 3.5p
Hull 3½% £1.75
Iceland Cv Pf 2.75p
Kensington & Chelsea 11.15% Rd 2006 £5.575
Lilleshall 5% Pf 1.75p
Do 9% Cv Pf 4.5p
Lincoln 3% Rd £1.50
Liverpool 2½% Rd £1.25
Do 2¾% Rd £1.375
Do 3½% £0.875
Lowland Inv 11¼% Db 2010 £5.625
Merchant Retail 0.1p
Mersey Docks 3⅝% Irrd Db £1.8125
Mucklow (AJ) 11½% 1st Mtg Db 2014 £5.75
Murray Income Tst 4¼% Pf 2.125p
New Brunswick Rlwy 4% Perp Db £2.0
Newcastle upon Tyne 3½% Irrd £1.75
Newey 5% Cm Pf 1.75p
Oldham 4% Db £2.0
P & O 6¾% Cv Pf 3.375p
Port of London 3% A 1929/99 £1.50
Powell Duffryn 4¾% Cm Pf 0.83125p
Reading 3% £1.50
Reckitt & Colman 5% Pf 1.75p
Renold 6% Cm Pf 2.1p
Republic New York $0.46
Russell (A) 5¾% Cv Pf 2.875p
Savoy Theatre 4% 1st Mtg Db £2.0
Sears 7% A Pf 2.45p
Do 7½% Pf 2.625p
Do 12½% Pf 4.375p
Simon Eng 5.4% Pf 2.7p
Do 6% Pf 2.1p
Simons 7½% Pf 2.625p
Swansea 3½% £1.75
Three Valleys Water 4% Irrd Db £2.0
Do 3½% Irrd Db £1.75
Do 4% Irrd Db £2.0
Do 4% Irrd Db (1994) £2.0
Do 5% Irrd Db £2.50
Do 5% Irrd Db (1994) £2.50
UK Estates 6% Cv Pf 3p
WT Foods 0.5p
Xerox $0.32
Young & Co's Brew 3½% *Irrd Db £1.75*

■ **FRIDAY JANUARY 2**
AG 4p
Abbot 7¼% Cv Pf 3.625p
Amec 1.75p
Anglian Water 5⅛% IL Ln 2008 £3.3928
Annington Fin No 1 7¾% Sec Bd 2007/11 £193.75
Do 8% Sec Bd 2012/21 £200.0
Armour Tst 0.54p
BICC 4p
Baxter Int $0.291
Berry Birch & Noble 1p
Booker 8.3p
Bradford Property Tst 4.1p
Bridgend 0.1p
Bristol Water 4% Cons Db £2.0
British Empire Sec & Gen Tst 8⅛% Db 2023 £4.0625
Do 10⅜% Db 2011 £5.1875
British Sugar 10¾% Rd Db 2013 £5.375
Brunel Cv Pf 2.3p
Bulmer (HP) 9½% Pf 4.75p
Do 8¾% 2nd Cm Pf 4.375p
Cambridge Water 5.03p
Do N/Vtg 5.03p
Do 4% Cons Perp Db £2.0
Do 13% Rd Db 2004 £6.50
Carlton Comms Cv rd Pf 3.25p
Chester Waterworks 11⅜% Rd Db 1998/2000 £5.6875
Claremont Garments 2p
Donatantonio 0.6p
Etam 0.5p
European Telecom 0.9p
Evans of Leeds 1.17p
Exeter Inv 3.1p
Felixstowe Dock & Rlwy Pf Units £3.25
First Dab Fin 11⅛% Sev Gtd Db 2018 £5.5625
F & C Special Utilities Inv Tst 3.61p
Do Units 3.61p
Do S 2.2p
Fortnum & Mason 4p
General Accident 12.5p
Do 8⅞% Cm Pf 4.4375p
Guardian Royal Exchange 3.9p
Hartstone 8% Cm Pf 4p
Henderson Far East Inc Tst 1.7p
Hercules Property Serv's 3p
Hillsdown 2.2p
Johnson Grp Cleaners Cv Pf 3.75p
Do 9% Cm Pf 3.15p
Joseph (Leopold) 4.5p
Lloyds Bank 12% Sb Bd 2011 £1200.0
Locker (T) 0.3p
Lyles (S) 1.5p
Manchester Ship Canal 3½% Perp 1st Mtg Db £1.75
Do 3½% Perp Db £1.75
Do 4% Perp 1st Mtg Db £2.0
Do 4% Perp Db £2.0
Martin Int 0.5p
McCarthy & Stone 8¾% Cm *Pf 2003 4.375p*
McKechnie 13p
MEPC 10¾% 1st Mtg Db 2024 £5.375
Merchant retail 5% Cm Pf 2.5p
Meyer Int 4.5p
Mid Kent Water 12¼% Rd Db 2005 £6.125
Mid-Sussex Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11% Rd Db 2012/16 £5.50
Morrison Construction 1.8p
Mucklow (A & J) 3.6679p
New South Wales Treasury 11½% Gtd Exch Bd 1999 A$575.0
Next 4.6p
Photo-Me Int 3.5p
Plantation & Gen 9½% Cm Pf 4.75p
Rights & Issues Inv Tst 14.4878p
Do 5½% Cm Pf 5.5p
Rio Tinto 3.325% A Pf 1.6625p
Do 3½% B Cm Pf 1.75p
Rubicon 6% Cm Pf 1.05p
Sabre Lease Mngmnt 7¼% Mezz Nts 2001 £181.25
Do 5.8% Snr Sec Nts 2001 £1450.0
Sara Lee $0.23
Sears Roebuck $0.23
Silentnight 3.3p
South Staffordshire Water Hldgs 34p
Do 9% Rd Pf 1998/2000 4.5p
South Staffordshire Water 3½% Perm Db £1.75
Do 4% Perm Db £2.0
Do 5% Perm Db £2.50
Do 9¼% Rd Db 1998/2000 £4.625
Stratagem 2p
TMC PIMBS 2nd Fin Ord Class Nts No 3 Jul 2030 £9124.76
Tops Estates 10¼% 1st Mtg Db 2011/16 £5.125
Town Centre Sec 2.7p
Tyzack Precision 0.75p
Vitec 3.7p
Willis Corroon 1.65p
Yeoman Inv Tst 7.8p

■ **SATURDAY JANUARY 3**
Alida 9¼% Cm Pf 2008/13 4.625p
Brent Int 9% Cm Pf 4.5p
British Polythene 9¼% Cm Pf 4.625p
Business Post 4.4p
Peek 0.4p
Temple Bar Inv Tst 4.2% Cm Pf 2.1p

■ **SUNDAY JANUARY 4**
African Dev Bank 11⅛% Ln 2010 £5.5625

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
OEM, 2-5, Stedham Place, W.C., 10.00
Paramount, Steam Mill Business Centre, Steam Mills Street, Chester, 11.00
Tepnel Life Sciences, Toft Hall, Knutsford, Cheshire, 10.00

■ **FRIDAY JANUARY 2**
COMPANY MEETINGS:
MMT Computing, 14, Angel Gate, City Road, E.C., 2.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

A deep-rooted complacency

DATELINE

Brussels: The English are notorious for their lack of language skills. But it is no laughing matter, writes Michael Smith

What do you call someone who speaks three languages?" asks the Brussels-based diplomat from the Netherlands, before answering it herself with a smirk appearing on her face. "Trilingual." Question: "What do you call someone who speaks two languages?" Answer: "Bilingual." Q: "And one language?" A: "English."

The joke always gets a laugh – especially from the diplomat. But are the English really so bad at speaking other languages? And, with the use of English increasing throughout the world, does it matter? The questions are pertinent because the UK will this week assume the presidency of the European Union for six months, and the government will more than ever have to devise the most effective ways of communicating with its colleagues in the other 14 EU countries.

Ministers and civil servants have been taking lessons in French – probably still the most common language in EU institutions, even if English is fast catching up. They are being advised to stick to English on formal occasions and use interpreters.

But linguists say ministers will win friends if they can conduct the occasional informal conversation in another language. Some will no doubt regret lost opportunities in school French lessons.

David Crystal, grammarian and author of books on the English language, has no doubts about English speakers' deficiencies: "Two-thirds to three-quarters of the human race are bilingual, but in the UK and the US all but a tiny proportion are monolingual. The English do not put the same resources into language teaching as others, and since the 17th century there has never been any particular interest in learning foreign languages."

According to Mr Crystal, the roots of the English complacency were laid down during the industrial revolution when people had to go to Britain to find out about inventions. They were strengthened by the influence of the US on world politics and culture.

Here in Brussels, English speakers are frequently struck by the proficiency of Belgians at languages. Go into a shop and ask a question in what you think is fluent French and the chances are you will get a reply in fluent English – this in a country where the official languages are French, Dutch and German.

Colette Flesch, director-general of translation at the European Commission, says large countries produce fewer good linguists than small countries. She comes from Luxembourg, where many citizens can speak French, German and English as well as their native tongue. "In Luxembourg we have no choice because as soon as we travel 50 miles we have to speak another language."

Ms Flesch believes the British command of languages has improved sharply in recent years, a view shared by David Thompson of Linguarama, the languages tuition company. "Language tuition 20 years ago was very much for the multinational companies," he says. "Increasingly, professional firms and now government ministries are sending us their employees."

Even so, English speakers appear less diligent in their studies than others – or are given less encouragement by employers. Linguarama grades students from zero to five in competence levels. Mr Thompson says it is common for English people to start work abroad with a grade of less than two in the language they will be speaking, while most non-English speakers begin work in the UK on grade three English. "The British are more prepared than others to muddle through when they arrive in another country."

Given the growing use of the English language around the world and in the EU, that is perhaps not surprising. There are now at least 1.5bn English-speakers around the world. In Europe more than 40 per cent speak English.

The entry to the EU in 1995 of Finland and Sweden, where English is widely spoken, has already sharply increased the use of English in the EU, a trend that worries both the French and the Germans. It is likely that EU expansion into eastern Europe will have a similar effect.

"At first we thought the east Europeans would want to speak German," says Tony Scott, head of the English unit in the Commission's interpreting service. "But at the moment they all seem to be learning English."

Experts are united in warning the UK against using this as an excuse to stop improving their languages. "Unless you speak other languages you have no idea how much of an advantage it is," says Ms Flesch. "I used to be a foreign minister and I know that when I made the effort to speak, say, Dutch, it was appreciated. I could negotiate better."

Mr Crystal is more blunt: "There are very strong economic arguments for English-speakers learning other languages. If you are selling it helps to have a sympathy and ability in a foreign language. English is spoken by at least a quarter of the world. But that means three-quarters do not speak it."

The Monday Profile: Melvyn Weiss

A force to be reckoned with

From his corner office above Madison Square Garden, Melvyn Weiss commands views across the entire Manhattan financial district. In the past three decades he has come to be one of the most feared men throughout this territory, having established a reputation as one of America's most effective plaintiff's lawyers.

Mr Weiss took a leading role in developing the concept of class action lawsuits, and used it to hold the Wall Street community to account in a string of cases that have tested securities law. Plaintiffs he has represented include Alaskan residents after the Exxon Valdez oil spill, and investors in companies hurt by the collapse of Michael Milken's Drexel Burnham Lambert investment bank.

Some of the payouts involved have been enormous – in the case of Washington Public Power Supply System Securities, one of the largest bond defaults in US history, he recovered $775m, while in the case of Drexel he retrieved more than $800m.

But his latest case could be the biggest, and has created international repercussions. Mr Weiss is the liaison attorney for the more than 30 US legal firms that are suing the largest Swiss banks for their part in allegedly confiscating the assets of holocaust victims during the second world war. He and 21 other firms are acting "pro bono" – without fees.

The class action is attracting strong support in the US, and the legal team has been contacted by about 80,000 potential claimants. It has made clear that it is bringing the action on behalf of all the Nazis' victims, not just those who were Jewish.

The case is still stalled in a Brooklyn court but the legal team is continuing its investigation, retaining economists to estimate the total economic benefits the banks reaped from the war.

The Swiss bankers had applied to have the suit dismissed on the basis that consensual measures are already under way to settle the issue, through the panel chaired by Paul Volcker, a former chairman of the Federal Reserve. But Mr Weiss plainly believes there is no alternative to litigation: "We are dealing with the inability of diplomacy to solve this problem."

He also disputes the methods of the Volcker commission, which is attempting to calculate the exact amounts owed. "If we get trapped into thinking this about that, which we can justify with precision, we aren't doing justice to those who suffered from these wrongs, because 52 years of obfuscation make it impossible to reconstruct with precision. We aren't going to play that game," he says.

This development has alarmed the Swiss more than any of the other campaigns for restitution launched in the past two years. As Mr Weiss puts it: "They know who we are. They've studied us inside and out. We are seasoned lawyers and we are well financed and we aren't going away."

Both the lawyers and the banks are now in uncharted waters. Mr Weiss flew to Zurich this month to face the banks' chief executives in a meeting brokered by the US State Department, but those negotiations remain embryonic and both sides are braced for litigation that could last some years.

The Swiss banks may not be the only corporations to face legal actions. "Two months ago a wonderful gentleman, Jerry Blumenfeld, a survivor of six concentration camps who was used as a slave labourer, came to see me urging me to bring an action for slave labourers against the companies that were unjustly enriched through slave labour," he says.

While Mr Weiss gives no hints on whether he is ready to launch such an action, it has the potential to affect some of the most powerful industrial conglomerates in Europe. There are also distinct signs, with the US stock market continuing to show severe jitters after its prolonged bull run, that he may have more work to do closer to home.

He suggests that this may have something to do with the strong attacks on the legal profession from Wall Street. Previous newspaper reports have referred to him as a "crocodile lawyer", and there is heavy criticism for the money that class action lawyers, almost always paid on a contingency basis, can attract.

Typically, they receive about a third of the total settlement awarded. But the lawyers bear all the costs of investigation, and as they are paid on contingency they bear the risk that they are unsuccessful. They also have to factor in the risk of dealing with an unsympathetic judge.

"We are under attack here in the US because what corporate America has done is take what I think is one of the greatest things in our system – access to the courts – and make it what they call a litigation tree grown in a lawyer's garden. They've portrayed it as a mechanism for lawyers getting richer, rather than for victims getting remedies and wrongdoing being deterred.

"That's an ironic twist because there's more fraud going on in this country than ever before, and Wall Street is clearly selling junk all over the place. But it's the lawyers who are trying to run it in who are being criticised.

"It's like turning the world on its head. Other companies and investors come to the US from all over the world precisely because they sense they can get justice here," he says.

John Authers

FT GUIDE TO:

ROUBLE REDENOMINATION

Redenomination? What have those crazy Russians come up with this time?

At midnight on December 31, the Russian central bank will lop three zeroes off the long-suffering rouble. This numerical sleight of hand is supposed to help restore popular faith in the bruised rouble, whose value has plummeted nearly 10,000-fold since the Soviet Union collapsed.

Thanks to triple-digit inflation, the rouble today trades at about 6,000 to the dollar. A million roubles, known in slang as a limon, or lemon (in Russian it rhymes with million), has become a fairly commonplace unit of money.

These stratospheric figures do little to bolster the ordinary Russian's already battered confidence in the national currency. And so the central bank is, as it were, giving the rouble a facelift.

Why make the change now?

In theory, rouble redenomination was meant to be the crowning achievement of six years of turbulent market reforms. Having kept the Communists out of the Kremlin in the 1996 presidential elections, the Yeltsin administration hoped to complete its market reform drive this year. The prediction was that 1997 would be a year of falling interest rates and lower inflation. These fundamentals were to lay the groundwork for 1998, when the government hoped that, after nearly a decade of contraction, the Russian economy would at last start to grow.

The new slimmed-down rouble, introduced just as the good times started, would be the symbol of the new era with the days of hyper-inflation and depression in the past. But the financial crisis in Asia has infected Russia, forcing the government to spend billions of foreign reserve dollars to defend the rouble and push interest rates back above 30 per cent.

The central bank is determined to go ahead with redenomination, but the new rouble will be the standard-bearer of a financial system that is much shakier than the Kremlin had hoped.

What happens to the old inflated roubles?

The aim is to change the number of zeroes on Russia's banknotes. The old roubles will be legal tender until the end of 1998 and the central bank will continue to exchange old roubles for four years.

Do Russians think it is a good idea?

Definitely *nyet*. In theory, Russians are happy to replace their inflated national currency with a dignified banknote that can hold its own against the dollar and D-Mark.

But 70 years of Communism and nearly seven years of capitalism have taught ordinary Russians to be deeply suspicious of the government and private traders. In spite of constant official reassurances to the contrary, many believe the January 1 redenomination will be a repetition of the confiscatory monetary reforms they endured under Stalin and Khrushchev. They still remember the botched reform of 1991 when people had just three days to trade old banknotes for new, creating panicked queues outside Russian banks and depriving millions of their life savings.

If the government does not get them, most Russians think the merchants will. Russians believe stores will use the redenomination to increase prices so many are snapping up goods before the change. Others are switching their savings to the banknote which, at least for now, is still Russia's favourite currency: the US dollar.

Why do all goods in Russia have two prices?

This is part of the central bank's sophisticated public relations campaign to convince Russians that redenomination will not be a rip-off.

To help Russians get used to the idea of slimmer roubles, and to remind them that the old banknotes will be valid for another year, all merchants have to post two prices – one in old roubles, the other in new. The central bank is also bombarding the Russian airwaves twice an hour with advertisements for the new currency.

But there are no advertisements forewarning visitors from North America and much of western Europe. They already find restaurant bills in the millions and hotel bills in the billions traumatic. Facing two bills, which differ by a factor of 1,000, may be worse.

But foreigners should take heart. After a few months of confusion, the redenomination is likely to make Russian prices more familiar for foreign visitors – except, of course, for the Italians.

What is a YE and will it be redenominated too?

For the past couple of years, many Russian stores and restaurants have displayed prices in YEs, an imaginary currency that could only have been dreamed up by a nation with centuries of experience in evading bureaucratic edicts.

YE is an abbreviation for *uslovnaya yedinitsa*, which means "theoretical unit", a non-existent currency whose rate of exchange to the rouble is, magically, identical to that of the dollar.

When the government began to discourage posting prices in dollars, Russia's inventive merchants came up with YEs, a Jesuitical formulation that allowed them to follow the letter of the law but also avoided the inconvenience of working with the ever-inflating rouble.

In preparation for the rouble redenomination, Russian authorities have toughened their insistence that all goods and services be sold only in roubles. Even credit card sales, which until recently could be transacted in foreign currencies, must now be done in roubles.

But the hardy YE refuses to die. It has been spotted on several recent shopping excursions around Moscow and, laws notwithstanding, will probably linger on until Russians are convinced the redenominated rouble is immune from the fate of its bloated predecessor.

Chrystia Freeland

Wolfgang Münchau · Economics Notebook

On the outside looking in

Holding back from Emu may not be such a safe option for the UK

Human beings have a perverse view of risk. Change tends to be seen as more risky than leaving well alone. The same thing applies to the UK's position on economic and monetary union.

Staying out of the first wave of Emu was seen as minimising the risk, while the opposite would have been regarded as reckless. Gordon Brown, UK chancellor, cited a mouthful of reasons against early membership, but omitted to spell out the disadvantages of late arrival.

It was no surprise that his decision to rule out Emu membership in this parliament was welcomed primarily as a safe choice.

This view might misjudge the dynamics of Emu. It is a project without precedent of kind and scale. It could trigger political decisions among its participants and lead to economic consequences that could be obstacles for potential latecomers.

First indications that this may be happening surfaced in recent weeks. The Euro-X group of finance ministers – agreed at the Luxembourg EU summit this month – was set up as an informal institutional mechanism designed to drive forward the co-ordination of economic policies.

EU officials reckon that the issue of tax harmonisation is bound to crop up sooner rather than later. Top of this list is the harmonisation of savings taxes, previously opposed by the UK and Luxembourg. Finance ministers, fearful of losing revenue, are acutely aware that savers will treat the euro area as a genuine single market, and thus savings will invariably flow to the tax havens.

The UK can, of course, block a formal EU-wide agreement on savings tax harmonisation, as it did in the past. More likely, the 11 countries expected to take part in Emu will probably harmonise among themselves voluntarily.

Corporation taxes, indirect taxes and excise duties could be next in line for harmonisation across the euro-11. This may not result in unified rates of tax but common tax bands and rules. The key point is that the UK would be expected to adopt whatever the prevailing rules are among the euro-11 when it decides to join.

The European Central Bank also appears to be developing contrary to UK interests.

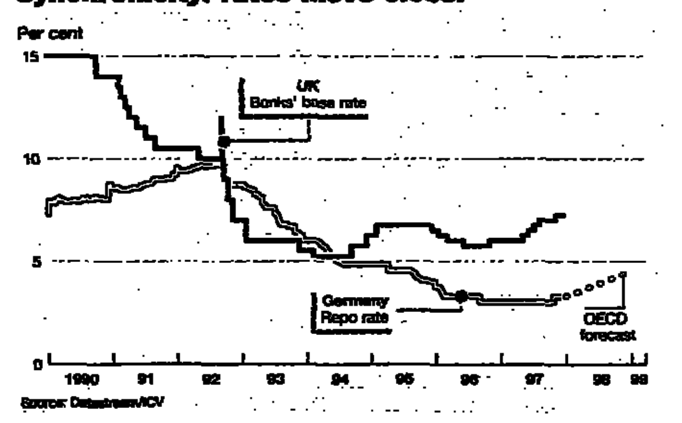
A senior UK monetary official said he regretted the decision not join Emu in 1999 for one particular reason: the operational structure of the Bank of England would have made a perfect role model for the ECB – much more so than the German Bundesbank.

Like the newly independent Bank of England, the ECB will have to establish an immediate track record.

In the UK, the greater transparency of monetary policy has helped individuals, companies and financial markets better understand the policy process.

But for better or worse the ECB will be modelled on the more secretive Bundesbank. The UK will not be represented. The ECB president will be chosen for a fixed term of eight years. Tony Blair, UK prime minister, will not have a vote when other EU leaders take the decision. However, if he is lucky, they might keep a seat warm on the ECB's executive board until the UK joins.

Synchronicity: rates move closer



Source: Datastream/ICV

The ECB will set up office around June next year. One of its first decisions will concern its internal operating structures. There is a possibility that the executive board will be based on the French system of cabinets – groups of hand-picked advisers – rather than being made up of career officials, as is common in the UK and Germany.

The UK cannot influence the decision but will have to accept the structure once it joins.

With the UK on the outside, the ECB is certain to adopt minimum reserve requirements, which UK officials regard as damaging to the City of London. These in effect act as a tax on financial transactions.

They have long lost their standing as a policy tool, but proponents argue that the Asian financial crisis highlights the need for minimum reserves as an emergency instrument.

With the UK out, the ECB may adopt a moderated form of monetary targeting – a policy based on the pursuit of pre-defined money supply targets.

The UK and Sweden operate a system of inflation targeting, where the government picks an inflation rate for the central bank to target. But neither country will be part of the first wave of Emu.

The next set of risks could stem from developments in the economy and financial markets.

Currency experts disagree on whether the euro is going to be strong or weak. But most think it might be volatile, leaving sterling trapped in the crosswinds of the euro/dollar exchange rate. Yet, in order to qualify for Emu, the UK will have to demonstrate two years of exchange rate stability. Even the argument that asynchronous business cycles favour late entry might be tenuous.

It is true that the UK and continental economies are out of synch. Nominal short-term interest rates in the UK are 7.25 per cent compared with 3.3 per cent in the euro-zone.

But by 1999, the gap will have narrowed significantly, according to the latest forecasts. UK interest rates will still be higher than euro-rates in 1999. But it is unclear whether that difference will be greater or less in 1999 than in 2002, or indeed in any other year.

The risk in late entry could turn out to be far more symmetric than widely estimated, or even inversely asymmetric: they might rise more the longer the UK waits.

It is conceivable that by 2002 the UK government may find that the political obstacles of joining Emu are too onerous; or that sterling might be too volatile; or that the economy is in recession: or that its comfortable parliamentary majority may be reduced.

It was Mr Brown who said recently: "We are all long-termists now."

In contemplating UK entry into Emu, we might not have a choice.

Email: wolfgang.munchau@FT.com

ARTS

OPENINGS

NEW YORK
Philip Langridge (above) sings the title role in a revival of *Peter Grimes* tonight at the Metropolitan Opera. The cast also includes Patricia Racette as Ellen Orford and Alan Opie as Balstrode. David Atherton conducts. There are four further performances, the last being a matinee on January 10.

Not content with conducting the Met's current run of *Boris Godunov*, Valery Gergiev joins the New York Philharmonic Orchestra on Wednesday for a New Year's Eve gala. He follows this on Friday with the first of three performances of Mahler's Sixth Symphony. Saturday *is* Gergiev's big day: Musorgsky at the Met in the afternoon, Mahler at Avery Fisher Hall in the evening.

EDINBURGH
The New Year begins with the National Gallery of Scotland's annual display of 38 Turner watercolours (right), bequeathed by Victorian art collector Henry Vaughan. These works are only on show in January, when the light is weakest and least destructive to the paintings. The Vaughan bequest includes examples from every period of Turner's development, and the display has been expanded to include other watercolours by Turner, acquired more recently by the Gallery. Admission is free – even on New Year's Day.

BERLIN
The Berlin Philharmonic Orchestra's festive end-of-year concerts at the Philharmonie bring together a galaxy of stars from the classical music world, including Bryn Terfel (right), Anne Sofie von Otter (above), José Cura, Mikhail Pletnev and Claudio Abbado. The programme tomorrow and Wednesday consists of extracts from *Carmen* and a selection of orchestral bon-bons.

GENEVA
Judith Howarth (left) sings the title role in a new production of Donizetti's *La fille du régiment* at the Forces Motrices on New Year's Eve. The cast also includes Sarah Walker and Gilles Cachemaille. The show runs till January 18, with Annick Massis replacing Howarth in some performances.

VIENNA
Zubin Mehta (below) conducts the Vienna Philharmonic's New Year's Day concert at the Musikverein. Mehta has presided over the event on two previous occasions, in 1990 and 1995.

What the audience really really wants

Should classical music concerts be tailored for specific musical 'types' in future? Oh no, the more anarchy the better! writes **David Murray**

Are you a Classical Purist, or a Mainstream Stalwart? A New Modernist, or just a Good-Time Novice? This summer the South Bank Centre commissioned CRAM International to do some research into their audiences, what they liked and wanted; and CRAM "grouped" concert-goers into those four "*distinct personality types*", each with "different motivations".

CRAM's research was *qualitative* – "in-depth sessions" with five "focus groups" of eight concert-goers each, selected on specific (but unspecified) criteria from SBC mailing-lists – rather than *quantitative* (wider surveying, with questionnaires and statistics). The summary the SBC has sent me doesn't say whether CRAM formulated their "grouping" before they selected their subjects or afterwards, on the strength of what their in-depth sessions revealed. Perhaps it just sort of emerged.

On closer examination, the four personality-types seem to be not only distinct, but mutually exclusive. The Classical Purist is 50-plus and predominantly male, attends concerts two or three times a week, reveres 19th-century and earlier music, feels "threatened by change" but still searches for a "'peak' musical experience". Contrariwise, the risk-taking New Modernist, aged 25 or 30, dismisses "traditional classical" music as "formal, rigid, safe", is intensely involved with 20th-century music and sees the arts as "pioneering new social values".

Obviously they will never go to the same concerts, though they may scowl at each other in the street. Presumably the Classical Purist goes to hear Haitink in Mozart but not in Shostakovich, Solti in Beethoven but not Mahler. (At least that leaves him more evenings for the Wigmore Hall, which is surely his natural habitat.) So who does go?

The Mainstream Stalwart, of course, whose kind make up what the Royal Festival Hall calls its "volume" audience. He attends some 20 concerts a year, seeks "the known and familiar" (not further defined), is drawn by "strong" conductors and soloists but "wary of experimentation" – also "interested in in-house facilities like shopping, outlets, catering". Thank goodness for him, or her!

It remains a mystery, nevertheless, how the recent Lutoslawski and Ligeti mini-festivals drew such good houses. Who *were* all those people? They must have been Good-Time Novices – "first-timers to the RFH, and occasional concert-goers" (so how come their names were on the mailing-lists?) – who wanted merely to visit the hall, and happened upon that music by accident. ("Venue plays an important role, as programme is unfamiliar", though "big names and popular composers are very influential".)

Luckily, they seemed to enjoy it. They like "children's events" too; and a "major motivator" is "shared social experience" – "drinks at bar, eating, people-watching" (I agree about that). Where the C.P. is credited also with wanting the RFH "restored to former grandeur", and the less tradition-conscious M.S. desires "improvements in fabric of the RFH" (double-glazing, maybe), nicely corroborating the SBC's *anxious plea for refurbishment*, the G.-T.N. is content to "like the idea of more links with NFT, RNT and MOMI", the SBC's neighbours.

Just what the SBC happens to want – but how do newcomers know about all that? (Only the N.M. has nothing relevant to say: presumably he doesn't give a damn about the venue.) Perhaps there are more plausible alternatives, for towards the end of the SBC's summary two hitherto unmentioned groups turn up.

The plain Modernists (less militant than *New* Modernists, perhaps), who "like a lively cross-arts approach"? – but that wouldn't prompt them to rush off to Ligeti or Lutoslawski. The Conservatives, then, who "believe in the purity of classical music alone" (probably don't want accompanying light-shows, nor interpretative dance)? Unless "classical" here means 18th/19th-century Classical, in which case they are Purists who shouldn't have dreamt of coming...

Honestly, I *think* these categories are built round pure fantasy-figures. Yes, there *are* "New Modernists", but they don't come to hear the London Sinfonietta in new "classical" music; they listen instead to World Music and/or Indies, techno-pop, improvised music and other picturesque communal things.

There are many "Classical Purists" too, in the positive sense (they want Classical works played straight, not mucked about). But most of them came round long ago to Bartók and Stravinsky too, not to mention Britten and Tippett, and many of them have discovered exciting virtues in newer postwar music.

In fact they – and we – are practically all "Mainstream Stalwarts". Some of them, unsurprisingly (it was ever thus), are readier to try newer stuff than some others: because a friend has told them about it, or they've read something which made it sound tempting, or have heard enticing *samples on the radio.*

If CRAMming people into dodgy categories were to have any impact on what the South Bank decides to programme, one would be dismayed. Fortunately, the conclusion the SBC has drawn from these "findings" is that they should continue – surprise, surprise! – exactly as before: with a wide range of concerts to satisfy many tastes, along with the Barbican and the Wigmore Hall (which accommodates song-recitals and chamber music far better).

One hopes that the CRAM inquiry didn't cost the SBC management much, but probably it did. The relevant facts for concert-hall managements now are only these: (a) that currently famous (or well-hyped) solo performers will draw crowds, like a few renowned conductors too; (b) that routine concerts of Beethoven and Tchaikovsky cannot now compete with CDs, which cost less – often for better performances – and are indefinitely repeatable.

And (c): that promising performances of *big* pieces in the concert-hall still exercise a unique appeal, far beyond CD reproductions. Anybody can understand why. And also (d): that nobody should pretend to know *which* new music will arouse critical acclaim, attract larger audiences, and in the long run expand the standard repertoire in original directions.

Honest critics should not play at being prophets. Wrong guesses are endemic and inevitable, even among very clued-up musical people. To the general public, neither wrong guesses nor right ones matter very much, except when they find themselves sitting expensively amid a dyspeptic crowd at some wrong-guess concert.

I've run out of space, just when I meant to predict future successes for some of the new musicians I heard this year. It doesn't matter. Some of them have made an immediate mark anyway, some will disappear smoothly into limbo; others will be recognised later, perhaps for reasons that we never began to appreciate.

The battered heroes of concert-going, we like to think, are us critics, who troop off to many, many more concerts than any sensible person would do – purely in the hope of being able to advise you that some new composer, conductor or performer is worth hearing, or that some established one has begun to sound dispirited, flat or perverse.

Sometimes, naturally, we get it wrong. But would things be improved if, say, *all* South Bank concerts were tailored for specially predisposed audiences and specialist critics? The more anarchy the better, say I! These days, we need it more than ever.

Panto

Cinders with a difference

What we learn from this year's Drill Hall panto, *Cinderella the Real True Story*, is that the oral tradition has never died, it has just been hiding in the closet.

In true Drill Hall style this is a Cinderella with a difference. Here Cinders discovers that her dream lover is – a charming princess; spoilt mind you, but charming nonetheless. There are "she's behind you's", kings, princesses and hideous witches aplenty but, as you would expect from this venue, the genre is slightly subverted.

The "most ghastly of Gorgons" turns out to be just your everyday slattern with a mild case of halitosis and some domestic hygiene problems. Even more disturbingly, Cinderella is a woman who not only enjoys cleaning but is positively fanatical about it. Some of the best moments of this piece spring from this last point as the Princess struggles against her essentially slothful and pampered nature – "I've seen cooking" she says, "and it's not for me".

Sandra James Young as Cinders' vivacious Fairy Grandmother (yes, Grandmother) shoots her spells straight from the hip. Her homespun homilies are cut from a different cloth from those of the conventional court, and her power is such that soon even the gruff, straitlaced King, well blustered by Joanne Howarth, is forced to see the error of his ways and proclaim free love for all.

Although the first half seemed to be fuelled more by audience goodwill than by pace and timing, the cast *managed to work up to a* climax by the end. But despite the gay content it remained fairly tame stuff. Although the heroines were thwarted, the courtiers revolted and Cinders threatened with boiling in oil, it was all presented in so gentle a manner that all one felt like mustering was a polite "here, here" rather than a rousing cheer.

Sam Albasini

At the Drill Hall, London WC1 to January 10 (0171 637 8270).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

■ AMSTERDAM

EXHIBITIONS
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Malevich: Works on Paper from the Khardzhiev Collection. 79 drawings in pencil, chalk, gouache, ink and watercolours, spanning almost the whole of the Russian avant-garde artist's career; to Jan 25

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen; Dec 30

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Weber and Beethoven; Dec 30, 31

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Hänsel und Gretel: by Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 30
● Le Nozze de Figaro: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 31

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

■ CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance. Including the most important known "cloth of gold". The exhibition will travel to New York; to Jan 4

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: John Georgiadis conducts the London Symphony Orchestra in a programme including dances by the Strauss family; Dec 31; Jan 1, 2

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: programmes including Peter and the Wolf, Tales of Beatrix Potter and Les Patineurs; Dec 29 30, 31; Jan 1, 2, 3

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Objects of Desire: The Modern Still Life: Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

Tate Gallery
Tel: 44-171-887 8000
The Age of Rossetti, Burne-Jones and Watts: Symbolism in Britain 1860-1910. Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European contemporaries such as Redon and Moreau. The show aims to demonstrate the powerful influence of Symbolism on British artists; to Jan 4

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31; Jan 1, 2, 3

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes by Marie-Louise Ekman; Dec 31; Jan 3, 4

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson; Dec 30; Jan 2

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze; Avery Fisher Hall; Dec 31

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 29, 30, 31; Jan 2, 3, 4

EXHIBITIONS
Brooklyn Museum of Art
Tel: 1-718-638 5000
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. *Bringing together more than 70* works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Jan 4

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Egon Schiele: (1890-1918): The Leopold Collection, Vienna. *Around 150 works by the* Austrian Expressionist, dating from 1905 through 1918; to Jan 4

Pierpoint Morgan Library
Tel: 1-212-685 0008
● Medieval Bestseller: The Book of Hours. Selection of 100 of the library's prayerbooks; to Jan 4
● Romanticism to Realism – 19th Century German Drawings: survey of 50 works from the collection, including drawings by Caspar David Friedrich and watercolours by Adolph Menzel; to Jan 4

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 31; Jan 3

■ PARIS

EXHIBITIONS
Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon; Dec 30; Jan 1

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli; Dec 29, 31

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 30; Jan 2, 4

■ WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-202-467 4600
New Year's Eve at the Kennedy Center: members of the National Symphony Orchestra conducted by Murry Sidlin in the Concert Hall; Dec 31

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for *Europe can be received in* western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Institutions on the edge

Push-button democracy

Technology could make political parties redundant, argues Oliver Morton

Government of the people, by the people, for the people: a nice idea, and certainly not one that anyone would wish to see perish. But a touch impractical.

So, at least, the political elites would have it. Best to settle for government of the people, by political parties, for the parties' constituencies and any swing voters that can be swung. After all, say the elites, if not parties the mob. Representation as we know it may be a poor form of government, but the alternatives are worse.

Though the first part is true, the second part of the claim can only be sustained if you insist on looking backwards. Looking forward to a world enriched by all but limitless flows of information and intelligent appliances to make sense of it, there will be all sorts of alternatives to present concepts of democratic representation: alternatives that could mark the end of party politics as practised today.

When Al Gore, the US vice-president, talks of a new age of Athenian politics ushered in by the internet, he is roundly pilloried for encouraging "push-button politics". Direct democracy, any good party politician will tell you, is a terribly dangerous thing, as strife-torn Switzerland and poverty-stricken California bear witness.

Leaving aside the self-serving nature of such an argument, there are fairly good arguments against plebiscite as the norm, just as there are against denying the people any plebiscites. The important point, though, is that direct democracy, electronic or otherwise, is not the only alternative path to a mandate in a digital world. If it were ever true that parties and the mob were the only choices, it is no longer so.

A vote is a peculiar and privileged transfer of information. Organising such transfers using papers, pencils and people is cumbersome, but computer networks handle such things rather well.

Marcel Bullinga, a Dutch internet activist, has argued that it should be relatively straightforward to adapt the technologies of electronic cash, which have been designed for a different peculiar and privileged transfer of information, to the needs of voting.

"Relatively straightforward" here means surprisingly finicky and hard to get right, but not fundamentally impossible. Ingenuity and encryption would thus allow the people to be issued with electronic franchises. Like electronic money, they would be individual, anonymous, unforgeable, countable and – crucially – transferable.

Imagine such franchises being issued regularly, each issue bearing on either a specific plan, or a piece of legislation, or perhaps a broad area for concern. Every voter would get one by means of computer, television, phone or whatever. If you think this might further alienate the socially and politically excluded, there might be an argument for giving such people multiple votes on certain issues as a way of drawing them back into the debate. Nothing helps inclusion as much as a feeling that your say is being valued.

People could vote in different ways on different issues, regardless of party lines. They could vote directly, if they wished, but they would not have to. Instead of choosing to follow all the debates on a given subject herself, a voter could simply choose someone she trusted and transmit her individual, anonymous and tallyable franchise to that person, or organisation. On workers rights she might think Aslef likely to take a sensible point of view, or she might prefer Asda; on a "green" issue she might want to be represented by Friends of the Earth or by Fulham council. When the electronic debate was done, these intermediaries would cast all the votes in their power.

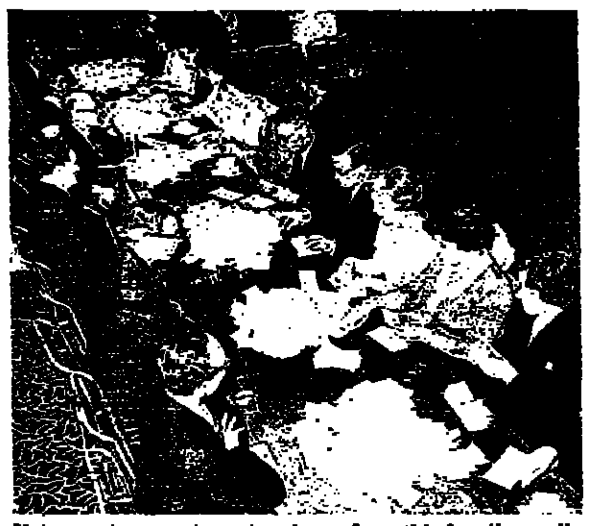
Today, the political parties operate a cartel of representation, one which limits voters' choices and bundles together views that do not necessarily sit easily side by side. Electronic franchises would break down this cartel. Many issues could be decided on by representatives drawn from a wider pool and with a more focused mandate. Framing the terms of the debates would be hard, but it would be much more transparent than it is today, when it goes on within governing parties.

Such a system may sound like a huge transfer of power to special interest lobbies. But the lobbies already have power; what this mechanism would do is put that power within a legitimate context. At present, lobbies neither put up nor shut up. They can claim the people's will by finding statements of their aims that the public will accede to in opinion polls; they can try for the moral high ground in debate, or go low with bullying, favours and threats. But they do not have the strength of their support tallied and revealed; they do not have to make trade-offs in long debates. Competing for mandates would force that discipline on them.

This sort of political settlement goes with the grain of what's happening elsewhere in the digital realm. A short while ago, gurus claimed that the worldwide web meant death to all go-betweens as everyone sought to buy directly from suppliers: disintermediation was the name of the game. In political terms, this cutting out of the middlemen would be the equivalent of a direct plebiscite on everything. But though disintermediation is doubtless happening, it is far from the whole story.

People like intermediation; it saves them from doing everything themselves. The web is now showing distinct signs of reintermediation to the benefit of a new class of middleman. Intermediaries who thrived on privileged access and a knowledge of the subtleties of the process do not have the easy lives they once had. The new intermediaries understand customers could always buy direct and will come to them not for access but for content: to be guided and understood, to be offered something by someone they trust.

The new politics might well be like that, dominated by ideas and solutions rather than by knowing the procedural ropes and operating the party machine. Trust would need to be regularly earned and it would have to be seen to be merited; each niche would be endlessly competed for. Massive conglomerates of opinion and opacity such as today's political parties would find it hard to prosper in such a world. The only question is how to create it in spite of them.



Vote count: computer networks perform this function well

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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The IMF needs to repair its image and boost its role in trade

From Mr David Barton.

Sir, I read Gerard Baker's article headed "Someone must save the IMF, please" (December 19) with some misgiving. It appears that the International Monetary Fund could be severely damaged both by recent blows to the inadequacy of its remaining resources and to its credibility. As to the latter, both Denis Richard and Jeffrey Sachs (Letters, December 19) give their reasons for this.

I note that in the mid-1990s Michel Camdessus, the IMF managing director, had expansive plans to play a bigger part in both developing countries and the industrial world and had been lobbying for an increase in special drawing rights (SDRs).

He also argued for an increase in quotas to strengthen the IMF's capital base, partly to help the poorest countries, partly "as a last resort financing net for the world" to be financed by the issue of SDRs.

At about the time the Group of Seven (G7) agreed to intensify the international surveillance of economies so as to ensure that future crises, such as the then recent Mexico one, that threatened the world financial system were handled less as a last-minute emergency.

We are entitled to know why decisions are taken at G7 summits and then apparently not implemented.

David Barton,
Loafers,
Bosham Lane,
Old Bosham,
West Sussex, UK

From Mr John Raven.

Sir, Your leader, "Trade and Asia" (December 22), gives timely warning of a possible relapse into protectionism by some of the economies now under special financial stress and strain.

As a footnote to the animated debate on International Monetary Fund policy, in your news and letter columns, it may be useful to encourage the fund to take an unspectacular but important step in the reverse direction, towards fuller and freer trading, by giving new depth and focus to its established policies in customs reform.

For many years it has employed numerous experts to help deficient customs, by no means uncommon in Asia and elsewhere, to improve standards of revenue collection.

This, if seen, by the customs services concerned, as the only IMF objective, can easily invoke protectionism by equating good control with rigid, complex regulation. A classical example is the damaging practice of routine opening, and invariably superficial inspection, of all imported containers.

Today, computerisation, risk-assessment and a range of practical aids to efficiency, sponsored internationally by the World Customs Organisation, can provide every customs service with proven means of combining fully effective controls and a remarkable degree of operational simplicity and facilitation for the great majority of honest exporters, importers and carriers.

By obliging borrower governments to accept and implement the relevant disciplines and procedures, the IMF could do much to support the World Trade Organisation drive for political trade liberalisation, by linking large-scale loans to a long overdue practical effort to free individual trade consignments.

John Raven,
International Express Carriers Conference,
Rue Joseph II,
3-1000 Brussels, Belgium

A tragedy which is of others' making

From Mr Colin Rowat.

Thank you for your article on malnutrition in Unicef's annual report ("Malnutrition kills 6m children worldwide a year, says Unicef", December 17). One group of malnourished children not mentioned in your article is that in Iraq. In their case malnutrition is not a result of any natural inability to procure adequate nutrition but of the economic sanctions imposed on their nation.

As a country that has been dependent on imports for up to 70 per cent of its nutritional requirements, the impact of the sanctions has been severe. In 1995 a member of a Food and Agriculture Organisation mission to Iraq estimated that some half a million deaths of children under the age of five could be attributed to the sanctions over the 1990-95 period. The team's leader, American nutritionist Peter Pellett, returned to Iraq this past summer and remarked that he did not perceive the situation in hospitals to have improved. This is reflected in Unicef's estimate that a third of Iraqi children under the age of five are "chronically malnourished".

It is tragic when a country is unable to feed its children; this tragedy perhaps borders on the criminal when its inability results from the policies of others towards it.

Colin Rowat,
Faculty of economics and politics,
Sidgwick Avenue,
Cambridge CB3 9DD, UK

The loss is Europe's

From Mr Mustafa Gulek.

Sir, For a country which was feared by the Europeans (and indeed by the Russians and the Arabs) for the better part of 600 years, it seems tragic that Turkey is not even considered for admission in to the EU along with the likes of recently liberated ex-communist countries, some of whose human rights records leave considerably more to be desired than Turkey's.

Europe needs Turkey as a bulwark against the most volatile region in the world. The EU should have, at the very least, considered Turkey's application with perhaps certain restrictions such as the mobility of labour. At the end of the day, it is a greater loss to Europe than it will ever be for Turkey.

Mustafa Gulek,
foreign affairs editor,
Olay newspaper,
Ankara, Turkey

Retailers will travel

From Mr Arthur Egon Graff.

Sir, The verdict on international retailing does not seem to be in yet, in spite of Richard Tomkins' judgment in his informative article "Wal-Mart goes shopping in Europe" (December 20), stating that retailing travels badly. Immediately, examples of the contrary spring to mind: Ikea everywhere; Ahold in France, Czech Republic, Spain and the US; Marks and Spencer, Makro, Hennes and Mauritz, C&A, Spar, Co-op, Aldi, Burger King, W.H. Smith; and also, to some extent, companies like Manpower and Tandstad, to name but a few.

Arthur Egon Graff,
Javastraat 102,
1094 HM Amsterdam

Kenya's 'dinosaur' has not buckled under western pressure to modernise, say **Michela Wrong** and **Michael Holman**

Moi's last hurrah

They will fry in their own fat.

That was what Daniel arap Moi, Kenya's president, said of the country's opposition in 1992. Five years later his warning is coming true.

Yet Mr Moi's rivals are not the only ones feeling the heat. The foreign donors who forced him to introduce multipartyism and privately forecast his downfall are also wondering where they misread the signals.

Once regarded as the west's role model in Africa, Kenya is now viewed as a test case for linking aid to good government. But as the country goes to the polls today it is becoming clear that Mr Moi, one of the last of a generation of post-independence African autocrats, is about to have the last laugh.

Polls predict that he will emerge as one of the few members of the continent's rapidly diminishing "dinosaur" club to survive two multiparty polls and that his ruling Kanu party will extend its 34-year hold on power.

The achievement is all the more remarkable given realities on the ground: rampant corruption, increasing poverty, crumbling roads, strike-hit social services. Even as Mr Moi is making pledges, the country is experiencing its worst cholera outbreak in a decade, a measure of the urban squalor that has set in.

In 1992, when Mr Moi had been pressurised into accepting multiparty politics by a donor-aid freeze and was looking increasingly out of touch, he won at least 25 per cent of the vote in five of Kenya's eight provinces, while Kanu got 94 out of 210 parliamentary seats. Experts believe he is now heading for a repeat performance in five provinces, thereby meeting the conditions for avoiding a run-off, while Kanu could seize up to 120 seats.

Much of the credit for this can be laid at the opposition's door. Mr Moi warned that multipartyism would increase ethnic tensions in Kenya, and so it has proved. A glance at the newspapers is enough to reveal that the political debate is regarded almost entirely in terms of tribal positioning, with ideological issues noticeable by their absence.

Opposition parties that once embraced several ethnic groups have subdivided on tribal lines. Repeated attempts to field a single opposition candidate against Mr Moi have collapsed under the weight of tribal hostilities and the enormous egos battling for supremacy. Last time, Mr Moi stood against seven candidates, this time he faces 14. His claim that only Kanu enjoys support across the country is substantially correct.

Seeing this, disillusionment and bitterness have replaced the euphoria that swept the country before 1992, when real change seemed possible. Election monitors have been alarmed by the grassroots campaign violence seen across the political spectrum.

But responsibility for maintaining the status quo does not rest with the opposition alone. Mr Moi has proved extraordinarily skilful at maintaining ruling party dominance while conceding many of the principles of a multiparty state.

A range of constitutional reforms introduced this year, which took the wind out of a gathering campaign to disrupt the elections, was hailed as a democratic breakthrough by donor countries. But if the uncontrolled money-printing that oiled the Kanu campaign and sent the economy into a tailspin in 1992 has been absent this time, the overall system remains heavily tilted in Kanu's favour. Many of the constitutional changes are ignored on the ground or were introduced too late to make a difference.

For example, the previously banned Safina party was registered a month ago, hardly time enough to organise a campaign. The electoral registration process omitted between 2m and 3m young new voters, likely to vote for the opposition. The constituency carve-up favours the establishment and the state media stubbornly devotes the lion's share of coverage to Mr Moi.

Opposition appointees are still in the minority on the election commission overseeing the polls, explaining the body's feeble response to growing complaints of vote-buying, bribery and civil servant bias. And Mr Moi has exploited his access to state resources to provide the electorate with a multi-billion-shilling sweetener: unbudgeted wage increases for the civil service.

Several opposition parties are threatening not to recognise results handing victory to Mr Moi. But his return seems assured enough for public attention to be increasingly swinging from today's vote to the struggle pending within Kanu itself.

Kanu elections are long overdue. With Mr Moi now 73 and facing his last term, these polls – more crucial to Kenya's future than the current presidential and parliamentary elections – will in effect decide who becomes next head of state.

"As soon as the elections are over we will be thrown into a battle for succession," a senior diplomat predicts. "Moi will have to release the brake and deal with all these gathering tensions. The effect will be to throw Kanu into spasms."

Much of Mr Moi's reign has been premised on the fact that he united minority communities who felt threatened by the Kikuyu. He is now under pressure to protect those interests against a perceived comeback attempt by the country's largest tribes.

The succession battle may pitch George Saitoti, the vice-president, against Simeon Nyachae, the Kisii minister for land reclamation, and Musalia Mudavadi, the Luhya reform-minded finance minister. Mr Saitoti, brought up in Masaailand but with Kikuyu roots, is regarded with huge suspicion by the Kalenjin, Mr Moi's own minority tribe.

Kanu insiders say Mr Moi, who managed to win international approval for limited reform on the basis that he would undertake more significant changes in the new year, plans to use the constitutional review to combat the centralisation of power brought about over the past 19 years.

One possibility would be to create a prime minister's post and introduce eight vice-presidents with responsibility for the provinces. "It would be an insurance policy, a way of diluting the president's powers and devolving authority to the small tribes," says a western analyst.

The result would be a more democratic and accountable Kanu, but a system that still fell far short of what donors originally envisaged. Cynics might argue that all the years of outside pressure for reform have merely served to trigger the modernisation of a one-party structure that once looked in danger of extinction.

Certain victory: but this will be Moi's last term as president

FINANCIAL TIMES

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Monday December 29 1997

Korea's time for change

In South Korea, the hour of radical reform has come. And with the hour may also have come the man. Kim Dae-jung, the next president, may have no experience of government and limited knowledge of economics, but he does possess three invaluable qualities: great courage, credibility with working people and independence from the now discredited *ancien régime*. In the short breathing space Korea may enjoy, he must agree immediate actions.

To his credit, Mr Kim has recognised that Korea's travails are also an opportunity. As he has remarked, "we have to utilise the IMF agreement as momentum to turn a misfortune into a blessing by faithfully observing it 100 per cent". This is what the next president had to say, even if he had grave doubts about the wisdom of the International Monetary Fund's medicine. But he must also do what he can to ensure that reforms are not just in the interests of the Korean people, but acceptable to them.

So great has been the incompetence of the outgoing regime and so adverse the turn of the markets that hapless Korea has become a beggar – and beggars cannot be choosers. The IMF-organised rescue package is now worth some $60bn. Only last week, with talk of default swirling around the market, Korea received a $10bn advance on the money it needs.

Stabilise markets

This money is no present. The principal purpose of the rescue is to stabilise global financial markets, halt financial contagion and save foreign creditors. The policies being demanded in return will accelerate the slide into bankruptcy of the over-indebted Korean private sector. This will make it still easier for foreign investors to buy domestic assets at undervalued prices. Korea Inc is now going for a song.

Ordinary Koreans are entitled to feel cynical. They are no less entitled to anger when people write of their economy as if it were a basket case. How many economies have generated full employment, a relatively equitable distribution of income and a more than 17-fold increase in real incomes per head over the past half century? Yet they cannot cling to the old model of chaebol-led, centrally orchestrated development, even if they wanted to. It is dead.

How then is the new government to replace it?

First, the Korean government should close down weak financial institutions and recapitalise the stronger ones at once. It must not allow the Korean economy to suffer indefinitely from the financial weaknesses that have crippled Japan's economy in the 1990s.

Foreign ownership

Second, it should try to complement the inevitable and desirable expansion of foreign ownership of Korean industry with measures to widen domestic ownership as well. To prevent bankrupt family-owned big business falling wholesale into foreign hands at firesale prices, it must encourage accelerated conversion of domestic debt into equity. Some of this should be purchased from the salvageable financial institutions, for later resale to private Koreans.

Third, it must deregulate the economy, to promote the expansion of service industry and medium and small businesses.

Fourth, it must introduce a carefully designed mix of labour-market deregulation and a welfare safety net. But it must refuse to undermine negotiated labour market arrangements that give employees the security they intensely desire.

This crisis has eliminated both the possibility and the desirability of business as usual. But it remains the obligation of any Korean government to implement reforms that both are – and are seen to be – in the interests of Koreans, while respecting the demands of now all-powerful outsiders.

Achieving this balance will require not less radicalism than demanded by the outside world, but still more. Mr Kim is a free man. He can think the hitherto unthinkable. Not only can he do so; he must.

Asia's impact on world stocks

Will the Asian crisis mark a turning point for global equities? Certainly a combination of financial meltdown in Japan, together with defaults across the region, could have that effect. Yet this remains the worst-case scenario and one which need not happen. Indeed, signs of a solution are at last beginning to emerge where it matters most, in Japan.

Two preconditions of Japanese economic and financial recovery are the use of public funds to support the banking system and a readiness to put fiscal policy on an expansionary tack. On the first score, the government has already performed the requisite U-turn, helped by the impact on public opinion of the recent collapses of Hokkaido Takushoku Bank and Yamaichi Securities.

Where fiscal policy is concerned the Japanese have yet to take the full measure of their problems. But prime minister Ryutaro Hashimoto has started to unbutton his fiscal hairshirt. The recent budgetary package was a paltry affair, but in cutting income tax it marked a symbolic change of direction. The markets can be relied on to impose further shocks on the government to push it towards a more direct confrontation with the debt deflation that is throttling the economy.

Plausible outcome

For the moment panic still reigns in the markets over South Korea. Yet even here the most plausible outcome is one in which a combination of external official financing, debt rescheduling and structural reform along the lines proposed by the International Monetary Fund will ultimately stabilise the situation. Meantime IMF support implies that the bad debt experience of bankers around the world will be softened. Their lending capacity relatively unimpaired, banks will be able to finance continuing business expansion.

That leaves equity markets in the US and Europe facing a mixed future. If Asian deflation is not to puncture global growth the US, where demand is still buoyant, must act as a global importer of last resort. Yet this spells trouble for the US corporate sector, because the counterpart to an increasing trade deficit will be a deterioration in corporate cashflow. In effect, US industry faces accelerating wage pressure in an exceptionally tight labour market, while confronting a profits squeeze because of the increased competitiveness of companies in the devaluing Asian economies.

The earnings prospect in the US, then, has worsened. This alone may be enough to kill off the bull run. If all those who have invested in section 401K pension plans suddenly discover they have suffered a negative wealth effect, consumer demand will weaken and the economy will slow.

Fed's reluctance

Yet it should not be forgotten that the financial background remains immensely supportive for equities. The Federal Reserve is reluctant to raise interest rates while the threat of contagion from Asia remains. It knows that the disinflationary pressures from the region will help keep the lid on domestic prices. At the same time the global flight to quality is causing US and European bond yields to fall to their lowest levels in 40 years, which provides a further prop for equities.

This is the kind of background against which companies look to takeovers to boost their profitability. Credit is available to finance their ambitions. With US retail investors so far largely undeterred by the Asian setback and companies already bidding enthusiastically for each other, the scope for a very speculative last leg to the bull market is apparent.

The worry is that valuations already look stretched. So the greater the rise, the nastier the downward lurch in due course because the Fed will be obliged to put a painful end to proceedings. It is too early to predict a hard landing, followed by recession. But the risks have increased perceptibly this year.

The gospel according to Kim

John Burton and **Peter Montagnon** on the benefits and pitfalls that may arise from South Korea's new economic programme

When Kim Dae-jung was elected South Korea's president 10 days ago, there was little sign that he even understood the nature of the country's economic problems, much less that he would sanction a radical solution that could become a watershed for Korea.

But over Christmas, the left-wing dissident Roman Catholic was suddenly transformed into an apostle of liberalism, promising an unprecedented opening of Korea's sheltered economy as part of the latest International Monetary Fund bail-out.

There are plenty of pitfalls ahead. But if he lives up to his word, Mr Kim will end the state-directed capitalism that has been both the foundation of Korea's export-led growth and, through its doctrinaire rigidity, the source of its near collapse during the past six months. Instead Korea will finally join the mainstream global economy.

The conclusion must remain provisional, but the result could be little short of revolutionary for Korea's inward-looking society. Despite the passing of two generations since the end of the Japanese colonial era, Korea has never managed to shake off the nationalism and fierce mistrust of foreigners which is the legacy of that period.

Last week Mr Kim spelt out unequivocally that Korean business and jobs could no longer be protected from the competition that flows from foreign investment. "From now on there is no need for discrimination between indigenous and foreign capital," he told union leaders. "We are living in an era where foreign investment is more important than foreign trade."

The statement marks a wholesale shift away from the obsession with exports that has been the hallmark of the country's state-directed economy. As part of the fresh agreement with the IMF, Korea set an accelerated and detailed timetable for opening its financial markets fully to foreign investors, permitting foreign takeovers and allowing commercial and investment banks to establish subsidiaries.

Economic reformer: new president Kim Dae-jung

Backer of state-directed capitalism: ex-president Kim Young-sam

It also agreed to impose a high interest-rate regime designed to attract foreign capital that would help it repay its $110bn (£66.6bn) in short-term debts, while forcing its big conglomerates to restructure, sell lossmaking activities and end the ruinous cross-subsidies that have burdened them with unsustainable debt.

The prescription was not new, but no previous president has been prepared to swallow it. If Mr Kim follows through, Korea could push far ahead of Japan in modernising its economy, says Mr Richard Samuelson of SBC Warburg Dillon Read.

In the process, the whole structure of Korean government and society could change. As a market-oriented regime is introduced, the government will have to become more responsive to democratic influences, and power will become decentralised.

The finance ministry, which has clung grimly to the levers of power, will find its influence curbed. Already Mr Kim's aides plan to allocate control over monetary policy to a newly independent central bank, and responsibility for budget policy to the prime minister.

Similarly, the large conglomerates are likely to find their stranglehold on the economy reduced. Some – even well-known names – may disappear altogether. Small businesses, whose development has long been suppressed by discriminatory allocation of bank credit, may flourish in their place. So, finally, may Korea's long-neglected service sector.

There are plenty of risks, though. Everything depends both on how strictly the restructuring programme is implemented and how persuasively it is presented. The effort must continue even when the immediate crisis abates and the public must be persuaded to take the pain. While there is little sympathy for the conglomerates, which employ only about one Korean in 45, the unions could still prove difficult to win over.

The hope is that concessions on reform of Korea's restrictive labour laws might be possible in return for improvements to its minimal welfare benefits. Mr Kim seems set to explore such an approach, financing it through the issue of bearer bonds designed to suck in money from the country's extensive black economy.

Another problem is that Mr Kim has no majority in parliament, although this could change as members of the defeated ruling party defect to the conservative ULD with which Mr Kim has formed an alliance.

Much depends also on the pain being over reasonably quickly. Korea will not be helped by weakness in the world economy, and there is a serious risk that tight money at home might lead to overkill. After 30 years of growing at an average 8 per cent a year, Koreans will not take too kindly to the possibility of seeing growth stop for a while. Only if the country can quickly attract foreign investment with the promise of jobs will the new prescription be seen to work.

If and when that starts to happen, a new Korea could rise from the ashes. For all their nostalgia for President Park Chung-hee, who as dictator in the 1960s and 1970s set Korea's export machine in motion while ruthlessly suppressing consumption at home, there are signs that Koreans are ready for change.

Mr Park is best remembered for strong economic leadership. To the surprise of the markets, that, in his own, very different way, is what Mr Kim is now promising.

New year diet for the bloated chaebol

Korea Inc is up for sale. Like industrial dinosaurs, South Korea's conglomerates, or *chaebol*, are dying under the weight of large debts. Their survival depends on rapidly shedding excess businesses by selling them to foreign investors.

Just 87 companies – or 13 per cent of Korea's 658 listed non-financial companies – are relatively safe from collapse, according to Credit Lyonnais Securities. It based its conclusions on the Altman Z-score formula, a well-known method of predicting bankruptcies.

SBC Warburg Dillon Reed believes that only two of the top 30 *chaebol*, the LG Group and the Lotte hotel and retail conglomerate, are in no immediate trouble, while another two, Samsung and the SK Group (formerly Sunkyong), are relatively safe. Even such world-class groups as Hyundai and Daewoo are at some risk unless they accelerate restructuring, SBC warns.

That Korea is prepared to embrace foreign investment as a way out of its predicament is an extraordinary change for a nation that deliberately sought to keep out foreign involvement as it pursued a policy of industrial self-sufficiency. But the International Monetary Fund's $57bn rescue has forced the country to drop restrictions on foreign takeovers. From tomorrow foreign investors will be able to acquire a 55 per cent stake in any listed company and 100 per cent by the end of 1998.

Despite its problems, Korea has many attractions for foreign investors. It is one of Asia's largest and richest consumer markets after Japan. Its proximity to China makes it a valuable manufacturing export base in north-east Asia, with good infrastructure, a well-educated and industrious workforce and improving labour productivity.

Moreover, Korean companies are likely to be sold at bargain prices. The Korean currency, the won, has fallen nearly 50 per cent against the US dollar this year. Share prices are so low that the total market capitalisation of the Seoul bourse last week amounted to Won66,350bn ($44bn), about the size of the Dutch banking group ING, the world's 70th-largest company.

Pumped up by the financial steroids of cheap state-directed bank loans for decades, the *chaebol* have become flabby and bloated. Industry is in woefully bad financial shape, with debt burdens of more than four times equity. Six big groups have already collapsed this year.

Net profits of manufacturing companies accounted for a mere 1.4 per cent of sales during the first half of 1997, according to the Korean central bank. Thirteen of the top 30 *chaebol* reported losses last year, while the combined earnings of this corporate elite amounted to only Won350bn. A combination of high interest rates, foreign exchange losses on overseas debt, slowing domestic and regional demand, and predatory pricing policies threatens the future of most *chaebol* unless they sell subsidiaries to raise capital for debt-servicing.

Yet the family owners of the *chaebol* are still reluctant to dismantle their business empires. Campaigns have been launched by executives and workers of leading conglomerates to buy back shares to prevent foreign takeovers. The government says it will only approve friendly bids by foreigners.

But the credit crunch affecting most conglomerates is expected to force them to accept foreign takeovers eventually. Several troubled *chaebol* have begun disposing of assets. Ssangyong sold its tissue and sanitary napkin unit to Procter and Gamble, while Coca-Cola acquired soft-drink bottling operations from Doosan, the nation's biggest brewery.

Hanhwa is negotiating the purchase of its oil refining and petrol station business by a leading international refiner, believed to be Royal Dutch Shell, and the government has offered to sell the bankrupt Hanbo steelworks to overseas bidders.

The car industry could be next. Ford has expressed interest in raising its 15 per cent stake in bankrupt Kia Motors, which was recently nationalised but may now be up for sale. General Motors might buy Mando Machinery, Korea's bankrupt leading car-parts maker.

Foreigners are also looking to buy department stores, pharmaceutical companies and domestic brokerage houses.

The increased foreign influence on Korea's protected economy might initially come as a shock. But a recent report by Booz-Allen & Hamilton, the US consultancy, said that Korea's future success lies in becoming "the most hospitable, and least xenophobic, location for global business in north-east Asia".

John Burton

The state's grip on France's business elite is loosening, says **Andrew Jack**

Crème de la crème, sans MBA

BUSINESS TRIBES

He – for it invariably is a he – had a modest background. A teacher's pet, his intelligence won him a place at the prestigious Ecole Polytechnique, and entry with just a few other top students into the grand corps.

While on secondment to the private office of a minister, he published a book attacking France's elite under a *nom de plume*, even though he was fast becoming part of the system himself. He held a succession of civil service positions, rising to head an important government department.

"Parachuted" into a top executive job in a state-owned industrial group, he was evicted when general elections brought another party to power. He found shelter running an obscure parastatal research institute, where he wrote a second, rather more worthy book on a technical subject with generous but uncredited help from a young graduate.

With his political allies back in power, he finally became chairman of another industrial group with little connection to the first, which was by now mired in allegations of financial mismanagement and corruption.

He has been linked to one political movement or another over the years, less for ideological reasons than by a tribal loyalty and a recognition of how best to play the system. He steered his group to privatisation, and has become a convert to the new management mantras: core business focus and shareholder value.

Yet he spends much of his time on other activities, and prefers to discuss current affairs, cite Rimbaud and drop names of well-known people with whom he has worked.

It is easy to caricature the members of France's business elite, mainly because so many of them fit so easily and accurately into the stereotype. A casual flick through the company chairmen listed in the French *Who's Who* reveals the same pattern: trained at the Ecole Nationale d'Administration (ENA) or Ecole Polytechnique (and sometimes both), followed by stints in government and then in industry for the engineers, or banking or insurance for the *inspecteurs des finances*.

Such individuals are coming under increasing attack. The losses and scandals surrounding groups as diverse as Crédit Lyonnais, Elf Aquitaine and Thomson have drawn attention to the similar background of their top managers.

In a caustic remark widely reported with considerable relish in the French press, Alain Madelin, head of the rightwing Démocratie Libérale party, said: "Ireland has the IRA, Spain Eta, Italy the Mafia, and France ENA."

The reality is more complex. It is clear there can be favouritism, which gives those who have not amassed the appropriate educational qualifications the feeling that they are forever blocked from reaching the very top levels of companies and the civil service alike.

Yet most graduates of ENA remain in the public sector. The rise of a handful to top corporate roles owes much to factors beyond their early training and intellectual abilities. In the nationalised industrial groups, as sometimes overly compliant representatives of the government of the day, they have become easy scapegoats for disastrous decisions often taken by their political masters.

> Alain Madelin, head of the Démocratie Libérale party, has said: 'Ireland has the IRA, Spain Eta, Italy the mafia, and France ENA'

In a country in which intelligence, culture and contacts are highly valued, and one in which the state continues to play a very important role in business, the elite must move easily between the public and private sector.

Bernard Ramanantsoa, head of HEC, the top French business school, says it is only since the late 1960s that institutions such as his began to capture some of the prestige previously monopolised by ENA and the Ecole Polytechnique. However, he concedes that the old system still dominates at the senior level of business and government. "It produces people who are undeniably strong intellectually, and who have been exposed to important responsibilities early on," he says.

But he points out that HEC is coming into its own. Daniel Bernard, chairman of the retailer Carrefour, is a graduate. So is Didier Pineau-Valencienne, head of the engineering group Schneider, and Pierre Bellon, founder of the contract catering group Sodexho. Not to mention Dominique Strauss-Kahn, the economics, finance and industry minister.

Bernard Arnault, chairman of the luxury-goods group LVMH, and Claude Bébéar, head of the insurance giant Axa, both graduated from the Ecole Polytechnique. But they passed directly into the private sector without any civil service experience.

Others – such as François Pinault, who controls the Pinault Printemps Redoute retail giant, and Lindsay Owen-Jones, head of the cosmetics group L'Oreal – come from backgrounds owing nothing to the traditional French system.

And Philippe Bourguignon, the former chairman of Euro Disney who now runs Club Méditerranée, prefers his managers to have an MBA from Harvard business school and work experience at McKinsey, not the French state.

France's old-fashioned state-trained elites still retain a tight grip on corporate power – even in groups that have been privatised. But the business sector is beginning to change, as the French administration loses control, institutional shareholders gain power, and growing international expansion and competition have an effect.

FINANCIAL TIMES
Monday December 29 1997

Brazilian claims $½m loss in forex scheme

By Clay Harris and James Regan in London

A Brazilian businessman claims to have lost nearly $500,000 he sent to a Copenhagen-based company that said it was speculating on his behalf in foreign exchange markets.

The company, trading formerly as *Ferrini Associates* and now as Market Forces, is not authorised to conduct investment business by Denmark or any other European Union country.

It began offering currency trades in November 1996. But as late as March it was getting prices from BBC teletext pages rather than specialist financial services, a former employee said. "It was like Carry On Currency Trading," he said.

In recent years, investors have lost millions of dollars in high-risk currency schemes promoted by direct mail and cold calls. As countries have brought in tougher regulations, currency scheme promoters have kept one step ahead by moving to new jurisdictions where rules are more lax or non-existent.

After the UK cracked down on currency schemes in 1995-96, Copenhagen took over as the forex capital until publicity last year prompted authorities to close operations such as Nordex and Scandex *Capital Management.*

Denmark also implemented the EU Investment Services Directive that brings much currency trading – although not spot transactions – into the regulatory net. Finanstilsynet, the Danish financial regulator, said Market Forces was not authorised and had not applied for authorisation.

Market Forces was registered as a general partnership in Denmark in April, but its literature says it is owned by Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners – Anthony John Hinkley and Paul Rich, both UK nationals – are involved with ICM. The third, Mikael Mortensen, is a Dane.

The Brazilian businessman's initial $100,000 investment was made in December 1996 with Ferrini Associates, operating from Copenhagen. Although no such company is registered in Denmark, records show that it had five telephone lines in Copenhagen at the beginning *of 1997 and now has none.*

By March, a statement said the Brazilian's $100,000 had grown to about $107,000, and he sent another $380,000 to a Luxembourg bank account.

At about the same time, his trading account was shifted from Ferrini to Market Forces. In June, he sent written notice to close his account and have the funds, shown on a statement as $410,000, remitted to him. The company told him he would be paid at the end of July, but no funds have been received. He has since instructed lawyers to pursue the matter. Market Forces has not responded to inquiries from the FT.

Mexican mayor accused of links with Chiapas gunmen

By Henry Tricks in Mexico City

Mexican authorities have arrested the mayor of the town in Chiapas state where 45 Indian peasants were killed last week, accusing him of arming uniformed paramilitary gunmen who carried out the massacre.

Jacinto Arias Cruz, the mayor of Chenalhó where the attack occurred, belongs to the ruling Institutional Revolutionary party (PRI). His capture could shed fresh light on links between the party and paramilitary groups that have proliferated in Chiapas since the Zapatista Indian rebellion began four years ago.

Ernesto Zedillo, Mexico's president, who is suffering one of the worst political crises in his three years of rule, is facing calls to dismiss Julio César Ruiz Ferro, the PRI governor of Chiapas, and Emilio Chuayffet, the interior minister.

They are accused by opposition politicians of ignoring, or even fostering, the increase in the number of violent anti-Zapatista groups such as the one that carried out the killings last Monday.

Both men deny responsibility and say they have no plans to step down. But the attack has once again exposed their failure to end the Zapatista rebellion. Condemnation at home and abroad has dealt a blow to Mr Zedillo, who had managed to keep the Zapatista struggle out of the headlines.

In addition to Mr Arias Cruz, 39 men were formally charged with taking part in the bloodshed, and authorities say many are affiliated to the PRI.

Most of those murdered – fellow Tzotzil Indians – were women and children. Some were attacked as they prayed in a small chapel. Others were followed to caves by the river where they sought to hide.

The uniforms and weapons, including AK-47 assault rifles, have raised suspicions the group might have powerful backers. Apparently confident he would not be hunted down, Mr Arias Cruz, described the killing in his notebook.

Jorge Madrazo, the attorney general, angered human rights groups when he said Chenalhó was the site of numerous "inter-community" conflicts and family feuds – including fights between Roman Catholics and Protestants – since the 1930s.

"This was not a confrontation," Sub-commander Marcos, the *masked Zapatista rebel* leader, replied in a communiqué published in newspapers yesterday. "It was simply and straightforwardly an execution."

The masked Zapatistas have mostly avoided armed conflict since they rose up in January 1994. The Chenalhó killings were the worst bout of violence since the first days of the fighting.

Hong Kong to slaughter chicken population

Continued from Page 1

of bird flu, has also suffered. Visitors from two of Hong Kong's biggest markets, Taiwan and Japan, have expressed concern and, in some cases, postponed trips.

The government has boosted measures to contain the disease. This month it ordered wholesale cleansing and sterilisation of the markets and put a temporary ban on imports from the mainland, which supplies some 80,000 chicken a day to Hong Kong.

Stephen Ip, secretary for economic services, said the slaughter would cover chicken and mixed poultry farms, wholesale markets, stalls and fresh provision shops.

The carcasses will be buried in landfills and their erstwhile owners will receive compensation from government coffers.

But it is unclear if even these measures, the boldest so far, will make a difference. Evidence suggests human transmission of the bug is inefficient, and that it is chiefly passed to humans via bird faeces and saliva.

Even so, the government has not ruled out the possibility of human transmission. Indeed a health worker who treated the first victim carries the virus.

But for those with long memories, even the possibility is frightening – "Hong Kong flu" in 1968 killed an estimated 46,500 people worldwide.

Coalition partners threaten Netanyahu over budget

By Judy Dempsey in Jerusalem

Benjamin Netanyahu, the Israeli prime minister, yesterday came under fresh pressure *from his nationalist* and religious coalition partners to increase spending or face defeat in Thursday's parliamentary vote on next year's budget.

Any substantial opposition to the budget would weaken an already vulnerable government whose power is dependent on a diverse mix of pragmatic, nationalist, populist and religious parties.

Government officials said these parties, which hold the balance of power, were using leverage to extract concessions from Mr Netanyahu – even if it meant forcing Yaakov Neeman, finance minister, to give ground on the 1998 budget.

Mr Neeman, unlike previous finance ministers, is politi*cally unaffiliated. This status* should give him more room to manoeuvre in his effort to reduce the budget deficit from this year's 2.8 per cent of gross domestic product to 2.4 per cent next year.

He intends to cut expenditure by Shk2.3bn ($650m), keeping a tight rein on fiscal policy which would allow the Bank of Israel, the country's central bank, to lower its discount rate, currently 13.4 per cent, next month.

But the National Religious party, which has nine seats in the 66-member government, yesterday demanded an extra *Shk225m for* education and Shk50m for bypass roads in the West Bank and Gaza Strip.

Gesher (led by David Levy, foreign minister), Shas (led by *Shlomo Benizri*) and Yisrael Ba'aliya (the Russian immigrant party led by Natan Sharansky) have also threatened to abstain or vote against the budget if spending on housing, social services and health is reduced.

Given such pressure, the prospects of Mr Neeman keeping his budget proposals intact are deteriorating. "If he wants to stick to his budget deficit goal and if he wants the government to survive, he needs the full support of Netanyahu," a government official said. "Otherwise he will be forced to raise taxes."

Mr Neeman is also under pressure from Mr Netanyahu to make concessions, even though the prime minister supports a tight fiscal and monetary policy. Mr Netanyahu needs broad coalition support for any second Israeli troop pullback from the West Bank, which is why, according to government officials, he would be prepared to "buy off" his coalition partners in the budget negotiations.

THE LEX COLUMN

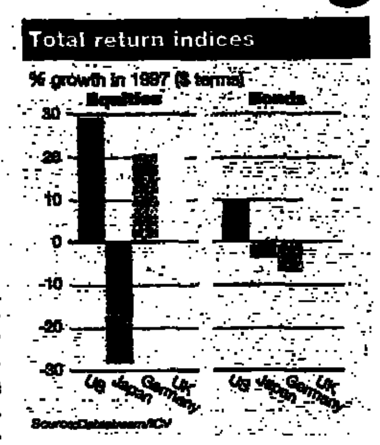
Asian angst

The long shadow of Asia's financial crisis dominates the investment outlook for 1998, just as it has dominated the closing months of 1997. Early optimism that a small disinflationary injection into the world financial system would bolster asset prices has given way to fears of a more damaging deflation.

So far, the outlook is not too threatening. The International Monetary Fund may have cut its growth *forecasts sharply, but it still has the* world economy growing at 3.5 per cent next year and leading industrial economies at 2.3 per cent. The risks to these forecasts, however, are on the downside. Though South Korea no longer looks likely to default on its debts, it will be lucky to grow at all next year. Japan's even larger economy is also sick.

One thing is for sure; with domestic demand depressed, Asia's economies will be taking advantage of their hugely devalued currencies to export for all they are worth. This will keep a check on prices in countries importing these goods.

With a quarter of its imports sourced in Asia, the US will certainly be one of them. This should be enough to fuel a further rally in bonds, even after this year's plunge in the yield on the benchmark 30-year bond from more than 7 per *cent to 5.9 per cent. Rising bond* prices will, in turn, provide some support to global equity valuations. But with equities vulnerable to earnings disappointments, bonds look a better bet. And given the risks investors face, a higher-than-normal cash weighting is justified.



Bonds

Mr Alan Greenspan faces a ticklish dilemma in setting US monetary policy. If he were only considering domestic factors, unemployment at 4.6 per cent would suggest incipient wage pressures, inflation and higher interest rates. But given that higher US *rates could cause another ugly* twist to the Asian crisis, his options are constrained.

Moreover, he has only one policy instrument – interest rates – but two potentially conflicting aims. Fortunately, his dilemma is mitigated: the two objectives overlap because Asian disinflation will offset domestic inflationary pressures. The risk is that if US inflation appears before Asian disinflation bites, Mr Greenspan will appear tardy in performing his core duty. This, potentially, would be just as destabilising as raising rates in the first place.

Much more likely, though, than bond yields returning to 7 per cent is that the Asian effect, coupled with a general flight to quality, will help drive yields down to 5.5 per cent, possibly further.

Europe faces less of an inflation threat, but offers worse value – it is difficult to justify yields 50 basis points below those in the US. This is especially so considering the risks surrounding German elections in October and potential hiccups in the run-up to the start of European economic and monetary union in *January 1999. Even if this is calmly* navigated, it will be hard to have complete confidence in the new European central bank until it has bedded down.

By contrast, the recently empowered Bank of England is winning its spurs: yields on benchmark gilts are around 80 basis points lower than when the new government took power. And a 100 basis point spread over German bunds looks hard to justify. With interest rates close to or at their peak and public borrowing falling, this spread should narrow.

Meanwhile, Japanese bonds, with 10-year yields down at 1.8 per cent, are hardly appealing. And there is the risk that loyal domestic buyers who have boosted prices may be lured offshore by the prospect of richer yields.

Equities

Equities start with the handicap of frothy valuations. The jitters witnessed at the end of October were quickly extinguished by the benign gloss put on the fall-out from Asia. Thus the US market, for example, is still valued on 20 times next year's S&P 500 earnings. More generally, valuations in most leading equity markets suggest investors harbour unrealistic expectations of earnings growth.

Against this backdrop there seems little prospect of the US market continuing its winning streak – the past three years have seen the S&P 500 rise by 34 per cent, 20 per cent and 29 per cent respectively. The outlook for Europe's markets is a touch more inspiring. Although *most came off the boil in the second* half, the FT/S&P Europe ex-UK still rose by 36 per cent. Long term, corporate restructuring and the possibility of a large redeployment of pension-fund assets into equities represents a strong bull case. Short term, though, prices are vulnerable to setbacks in the US, and from bond markets where yields are at historically low levels.

UK equities also look a reasonable bet. Interest rates may provide some support and valuations are not as stretched as elsewhere, though a slowing economy will harm the earnings outlook.

Asia

Could Asia be the bargain of 1998? Certainly, the slump in currency and stock markets means there is huge scope for a rebound. The mul*tiplier effect of rising currencies* and equities could produce exceptional returns. Indeed, Friday's surge in the won and Korean shares gave international investors a return of about 30 per cent in a single day.

Of course, a rapid recovery is not the only possible scenario. While Mexico bounced in 1996 following 1995's Tequila crisis, Japan is still bumping along at the bottom nearly a decade after its bubble burst. But so far, the Mexican example looks more apposite. Korea and the Asian tigers have been forced to take radical measures to reform their financial systems in a way Japan never has. As Japan finally gets round to taking the necessary medicine, it could be in for a rebound as well.

Investing in Asia is undoubtedly a high-risk strategy. Governments may yet lack the will to implement painful policy changes; and, if they do implement them, there will be a rash of bankruptcies. Nevertheless, investors adopting a wait and see strategy could miss much of the upside, so fast are events moving. A small punt now followed by a bigger bet when and if stabilisation programmes bear fruit would be a sensible way to play the game.

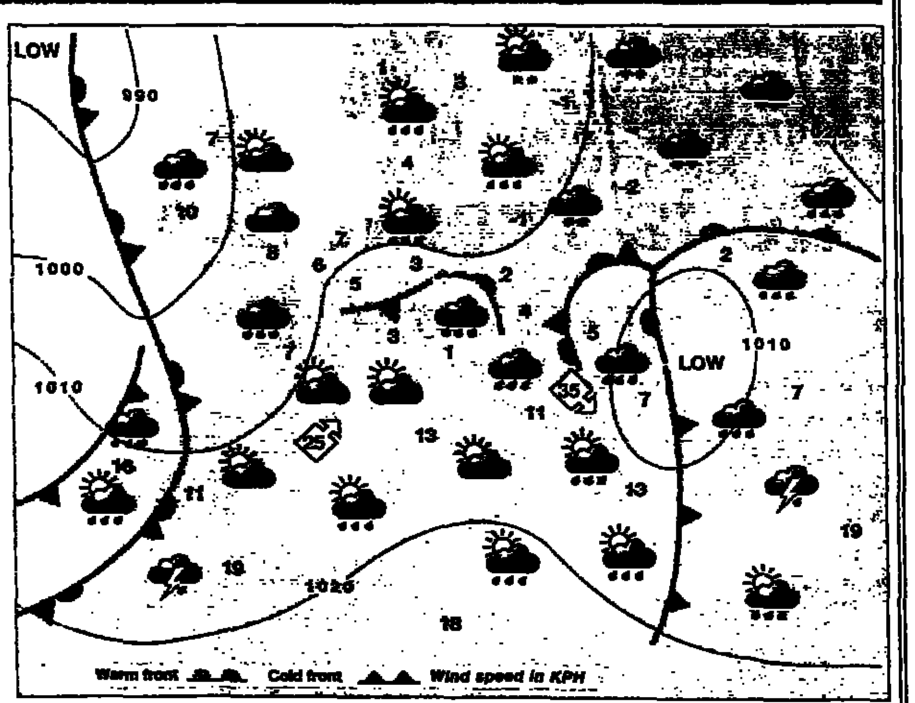
FT WEATHER GUIDE

Europe today

Scandinavia will have snow in the north and rain in the south but should have some sunshine later. The Low Countries, Germany, Austria and Switzerland will be cloudy with showers. Western France will see rain but most other parts of the country will be dry. All parts of the Mediterranean are at risk of showers. These will be most frequent in the west and in the east, where they will be heavy and prolonged at times. Eastern Europe will be very cold with snow likely across most of the region.

Five-day forecast

Atlantic weather fronts will sweep across Europe bringing changeable conditions to all parts. The west will have spells of rain with some snow in the north and east. The Mediterranean will remain showery, with some of the showers becoming heavy and prolonged. A few thunderstorms are possible.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum Celsius
Abu Dhabi	Fair 26
Accra	Sun 31
Algiers	Fair 18
Amsterdam	Cloudy 7
Athens	Shower 15
Atlanta	Rain 8
B. Aires	Cloudy 28
B.ham	Cloudy 7
Bangkok	Fair 32
Barcelona	Fair 14
Beijing	Sun 5
Belfast	Rain 8
Belgrade	Rain 5
Berlin	Rain 3
Bermuda	Thunder 22
Bogota	Fair 20
Bombay	Fair 31
Brussels	Shower 6
Budapest	Cloudy 5
C.hagen	Shower 4
Cairo	Sun 21
Caracas	Fair 32
Cardiff	Rain 9
Casablanca	Shower 18
Chicago	Fair -2
Cologne	Rain 5
Dakar	Sun 27
Dallas	Fair 10
Delhi	Sun 15
Dubai	Sun 26
Dublin	Rain 9
Dubrovnik	Fair 12
Edinburgh	Cloudy 7
Faro	Shower 17
Frankfurt	Rain 5
Geneva	Fair 3
Gibraltar	Thunder 18
Glasgow	Cloudy 7
Hamburg	Rain 6
Helsinki	Snow -2
Hong Kong	Shower 23
Honolulu	Fair 28
Istanbul	Shower 13
Jakarta	Shower 32
Jersey	Rain 9
Johannesburg	Sun 28
Karachi	Sun 27
Kuwait	Fair 18
L. Angeles	Sun 28
Las Palmas	Fair 23
Lima	Fair 29
Lisbon	Shower 16
London	Fair 8
Lux.bourg	Rain 5
Lyon	Fair 8
Madeira	Shower 21
Madrid	Drzzl 11
Majorca	Fair 17
Malta	Shower 16
Manchester	Cloudy 7
Manila	Cloudy 30
Melbourne	Sun 22
Mexico City	Fair 22
Miami	Shower 21
Milan	Fair 9
Montreal	Sleet -2
Moscow	Snow -1
Munich	Rain 3
Nairobi	Sun 25
Naples	Fair 14
Nassau	Cloudy 26
New York	Cloudy 4
Nice	Fair 13
Nicosia	Shower 17
Oslo	Drzzl 1
Paris	Shower 7
Perth	Fair 25
Prague	Sleet 3
Rangoon	Fair 31
Reykjavik	Rain 5
Rio	Shower 31
Rome	Fair 13
S. Frsco	Sun 16
Seoul	Fair 6
Singapore	Shower 30
Stockholm	Shower 3
Strasbourg	Fair 4
Sydney	Shower 27
Tangier	Thunder 19
Tel Aviv	Shower 19
Tokyo	Fair 10
Toronto	Cloudy 3
Vancouver	Rain 8
Venice	Fair 10
Vienna	Cloudy 4
Warsaw	Snow -1
Washington	Cloudy 6
Wellington	Shower 17
Winnipeg	Cloudy -9
Zurich	Fair 3

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Homestake bid lifts gold miners

Gold mining shares have risen sharply in the past few days following the agreed $640m takeover bid by Homestake of the US for Plutonic, an Australian gold producer. Investors are anticipating further consolidation in the sector as companies battle to survive with the gold price near an 18-year low. Page 13

Milan airport awaits international hub
The departure boards are up inside the L1,060bn ($609m) terminal building that is to transform Milan's Malpensa airport into an international hub. But they remain blank. The facility, which was to have opened this month, will not be ready until mid-1998. Page 13

EMERGING MARKETS
Caution reigns after Asian crisis
It is not surprising that investors should end the year cautious about emerging markets. What seemed like a containable problem in July, when Thailand devalued its currency, has caused the biggest crisis of confidence since the Mexican peso shock in 1994. Page 16

GLOBAL INVESTOR
The primacy of risk management
Financial instruments have become more complex over the past 25 years, while banks have become more dependent on trading income as profit margins on lending have been eroded. These trends have heightened the importance of risk management in financial groups. Page 14

INTERNATIONAL BONDS
Recovery seen in the new year
Although the dust has yet to settle on the banking crisis in Asia, it is possible to see the outlines of a recovery in the international bond markets. Syndicate officials identify several trends in favour of a lively issuance market in 1998, although most warn that the first few weeks are likely to be quiet. Page 16

COMMODITIES
Market seeks end to Iraq uncertainty
There can be few oil traders who face 1998 with much enthusiasm, given that the big question at the end of 1997 – whether Iraq will resume exports – remains unanswered. Page 15

CURRENCIES
Won keeps traders on their toes
This is usually the week currency traders spend sleeping off Christmas and playing with their new Porsches. But this year the volatile South Korean won could spoil the fun. Page 15

MARKETS THIS WEEK
New York
A clue as to how much the Asian crisis has hit US exporters should emerge on Friday with the report on export orders from the National Association of Purchasing Management. Page 15

London
The last few trading days of what has been a decent year for the UK stock market are expected to pass quietly. Page 15

Frankfurt
Germany will start the new year with strong export growth but worrying signs of weakness in the domestic economy. Page 15

Hong Kong
Shares are likely to continue drifting lower as concerns over the Hong Kong currency persist. Goldman Sachs foresees "minimal upside" for the market in the first half of 1998. Page 15

FT GUIDE TO THE WEEK – full listings Page 26

GAS FLOW
Iranian president Mohammad Khatami makes his first foreign visit as head of state to Turkmenistan today to open a pipeline bringing natural gas from the former Soviet republic to Iran. The line, financed and built by Tehran, will bring Turkmen gas from the Korpedzhe field to Kurt-Kui in Iran's populous north.

CHESS KNOCKOUT CHAMPIONSHIP
The first world chess championship knockout reaches its climax at the International Olympic Committee HQ in Lausanne on Thursday.

MORE PUNCH FOR RUSSIA'S ROUBLE
Also on Thursday, the Russian Central Bank will redenominate the rouble, cutting three zeroes off the value of each note. The aim is to help restore faith in the currency, which stands at 5,975 to the dollar. *FT Guide, Page 6*

Companies in this issue

Publishers to charge web users

Move to convert readers to subscribers

By Paul Taylor

An increasing number of publishers and information providers are planning to charge for access to at least some of the information they make available on the internet.

The move, led mainly by newspaper publishers, signals an important change in online business strategies as content owners seek to convert readers into paying subscribers.

Until now most information available on the internet or via world wide web pages has been free although some sites, including the Financial Times' website, FT.com, ask their visitors to register before granting access. But in the past few weeks a number of US information providers have announced plans to charge.

This month Business Week, the US-based business magazine, said it would charge subscription fees for its internet content. The New York Times began a pilot scheme asking users to pay for archived stories 10 days ago and Slate, Microsoft's online political magazine, recently announced plans to start charging subscription fees for the first time early next year.

"We feel it is the right time to do this," said Roger Weed, Slate's publisher. "We need that revenue stream to have a viable business model." Slate, which had always planned to convert into a paid subscription service, boasts a readership of around 140,000.

Mr Weed's comments show that economics is one of the factors driving publishers towards charging for their web content. Some publishers have a policy of charging for access to their sites but many other sites were set up on an experimental basis or as teasers for paper-based publications.

While having a website has become almost essential for publishers, most continue to lose money despite online advertising.

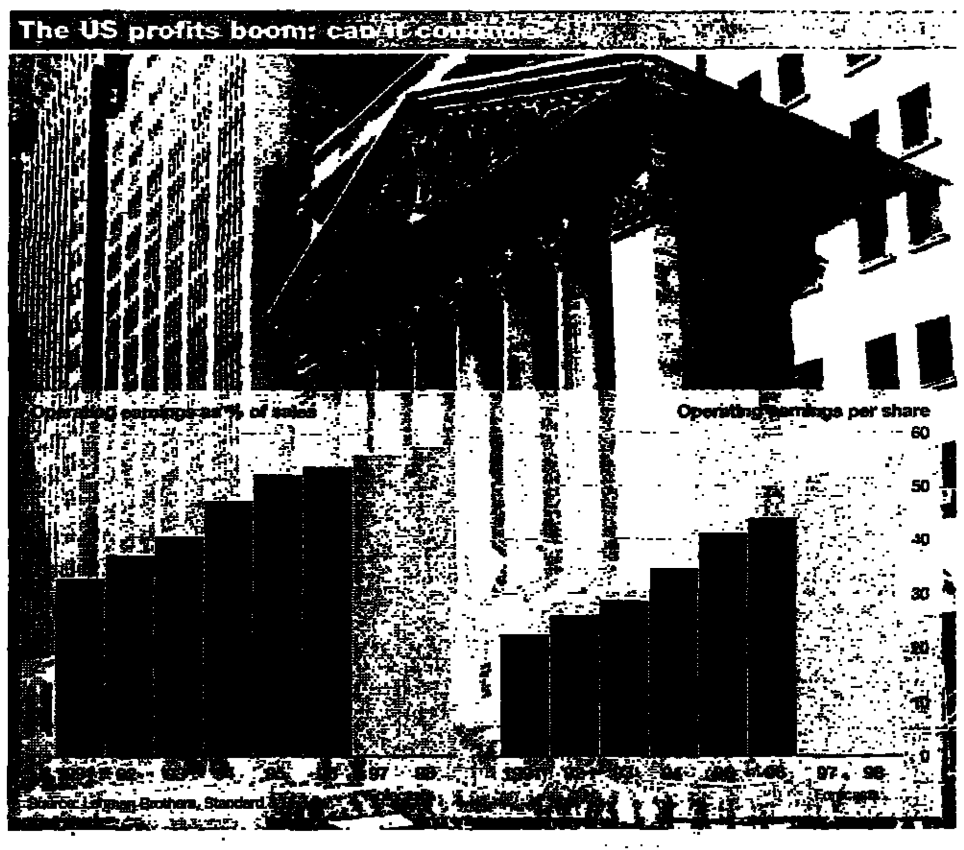
Other publishers, particularly newspapers, fear providing unlimited free access to archive material will undermine their existing fee-based online information services. Aside from the New York Times, other US newspaper publishers which charge for archived material include the Los Angles Times and the San Jose Mercury.

However most newspapers, including the New York Times, stress that they have no plans to charge for daily content. Earlier attempts by several US publishing groups to charge for current internet content were abandoned when the number of website visitors plummeted. But the Wall Street Journal and The Economist have successfully introduced subscription charges.

The New York Times said it had decided to begin offering paid access to archives in response to consumer demand. "It is one of the most requested features from our consumer audience," Eileen Bradley, vice-president of operations for the paper's electronic media group said.

There is a silver lining for 1998 in spite of easing earnings growth

Wall Street revellers may still party on



After the sudden flurry of unease about corporate earnings, it was easy to miss the signals from General Electric and Coca-Cola.

The most notable thing about these two beacons of the 1990 bull market, after all, has been remarkable consistency of their profit records. With almost boring regularity, each has turned in quarter after quarter of double-digit earnings gains that have become emblematic of corporate America's profits boom.

The year-end messages from both companies have been no different – even if Asia is falling apart.

Jack Welch, chairman of General Electric, celebrated in his usual fashion: another $4bn set aside to repurchase shares, a further 15 per cent increase in the dividend and a declaration of confidence in the future.

Over at Coke, new chairman Douglas Ivester showed he was ready to follow in Roberto Goizueta's footsteps with a typically bullish projection of sales growth – and a declaration that Asia's collapse would give Coke the chance to expand its market share.

Other stalwarts of the Dow Jones Industrial Average such as JP Morgan and 3M may have disappointed Wall Street with profits warnings recently. But despite a rash of cautious announcements, the underlying forces that have characterised the US earnings boom still seem to be largely in place – even if a slowdown is in the works for 1998.

The extent of that slowdown has weighed heavily on the minds of stock market investors. A month and a half ago, companies in the Standard & Poor's 500 index were expected to notch up collective earnings gains of more than 11 per cent for the final months of 1997. That estimate now stands at 8.3 per cent, according to IBES, which monitors analysts' forecasts. And while such reductions – and profit warnings – are common in the final weeks of a quarter, they have been more pronounced this time than normal, says Chuck Hill, director of research at IBES.

As Wall Street turns its attention on the prospects for this year, the revisionism is likely to take hold more broadly. Many analysts have yet to cut their estimates for earnings growth in 1998. Collectively, they expect corporate America to record a 14 per cent growth in earnings this year.

That target is unlikely to survive long. A rising dollar eating into the foreign currency earnings of US multinationals, the Asian crisis hitting export orders, stronger deflationary headwinds reducing domestic economic growth by from 0.5-1 per cent this year: all points to the most marked deceleration in corporate earnings since the recovery began in 1992. But it does not signal immediate doom.

The biggest challenges facing American companies are largely familiar ones: an *inability to raise prices* at home and an intensifying labour shortage.

Many household names in the US are already preparing their response. Companies such as AT&T and Eastman Kodak are planning a fresh attack on their overheads.

Both General Motors and General Electric have just announced billions of dollars in restructuring charges to fund further overhauls of their global operations.

Whether companies can continue to raise their profit margins against this sort of deflationary tide is another question.

Even if margin growth comes to an end, the powerful financial condition of corporate America should still leave *plenty of room to lift earnings* per share. With cashflow surging and the stock market remaining generally firm, big share buy-backs and mergers and acquisitions are likely to remain the order of the day.

Even as earnings growth eases, however, there is a silver lining for the stock market. Low inflation and interest rates have provided the platform for the profit boom. With the economy slowing, Wall Street is setting even lower targets for long-term bond yields, with 5 per cent widely seen as possible this year.

That should be music to the stock market's ears. According to projections by Morgan Stanley Dean Witter, a 5 per cent bond yield and only a small earnings advance this year would suggest a level of more than 1,100 for the S&P 500. The double-digit earnings gains that have characterised the 1990s bull market may end this year, but that does not mean that the party on Wall Street is over.

Richard Waters

STH lures former Mercury chief back to telecoms

By Clay Harris in London

Duncan Lewis, former chief executive of Mercury Communications of the UK, is returning to telecoms after an unhappy interlude at Granada Group and a year-long career break.

Mr Lewis, 46, is due to start next week as one of two executive vice-presidents at SITA *Telecommunication Holdings* (STH), an international telecoms business owned by more than 200 airlines and Morgan Stanley Capital Partners.

His decision to join STH takes him out of the running for another top job in the sector – *chief executive of Racal's* telecommunications subsidiary, which the UK electronics group plans to float.

STH is the Dutch-based holding group for Equant, which provides telecoms services for its airline owners and other companies, and ITS, which sells software and applications. Third parties account for more than 90 per cent of revenues, which exceeded $300m in the year to June 30.

STH's owners are aiming to float it in 1998 or 1999. Mr Lewis will be responsible for development, strategy and all other business areas apart from finance. One priority will be to improve the way Equant and ITS work together.

Equant, based in Atlanta, US, competes with alliances such as Concert, WorldPartners/Unisource and Global One, all of which face some uncertainty over development or ownership.

The Société Internationale de Télécommunications Aeronautique, a co-operative created in 1949 to provide telecoms services for its airline members, owns 60 per cent of STH. Morgan Stanley Capital Partners has a 30 per cent *stake, bought two years ago,* while staff hold 10 per cent through a profit-sharing scheme.

In October, Mr Lewis proposed a £450m ($742m) management buy-in offer for Racal Telecom backed by Schroder Ventures, which was rejected.

Mr Lewis left Granada last December after only eight months as head of the media division after a falling out with Charles Allen, chief executive.

HK office deal falls through

By Louise Lucas in Hong Kong

An arm of Xinhua, China's state news agency and traditional political base in Hong Kong, has failed to pay HK$1.12bn ($150m) to complete the purchase of its new offices in the former colony, the vendor said yesterday.

Pearl Oriental Holdings, an *ambitious Hong Kong property* company, said yesterday it planned to sue Xin Hua Estate Limited after it missed the balance payment for the office block which already bears the name "News Building".

The deal is the latest in a rush of high profile Hong Kong/China commercial alliances to come unstuck, and analysts say it may indicate a broader lack of confidence in the territory's property sector.

Property prices in Hong Kong are already under pressure from rising interest rates.

The wave of devaluations of Asian currencies encouraged speculators to launch assaults on the Hong Kong dollar, which is pegged to the US dollar.

The attacks were fended off, but at the cost of rising interbank interest rates - the rate at which banks borrow from each other - and falling asset prices. Mortgage rates have also risen.

Pearl Oriental itself has already suffered. Would-be buyers of its ultra-expensive "Skyhigh" homes on Victoria Peak, the territory's most expensive residential area, defaulted on their second deposits last month.

Yesterday, the company said profits would fall this year because the Xin Hua deal had fallen through. It added the buyer still intended to continue fund raising and hoped to complete the purchase shortly.

But Edwin Yuen, Pearl executive director, said Xin Hua Estate would forfeit its HK$172m balance deposit, which would be retained by *his company as working capital.*

If the deal is not completed, it is not just Pearl Oriental's profits that will be hit. Pearl Oriental's share price rallied in June when the group revealed the identity of its client and said it was discussing further co-operation with Xinhua to help it diversify.

Pearl Oriental will seek tenants for 11 floors of the building to increase rental income, or look for other buyers.

Sibneft prevents refinery seizure

By Chrystia Freeland in Moscow and Norma Cohen in London

Sibneft, Russia's fourth largest oil company, said it had paid an outstanding tax bill to the government on Christmas Day, averting the threatened seizure of its largest refining subsidiary at Omsk. The company also fended off a legal attack by Russian rivals.

The moves could put Sibneft in a stronger position in the coming contest for Rosneft, the largest Russian oil company still to be privatised, in which it is interested in buying a stake. Sibneft has expressed interest in the sale, but may have been too weak to compete without this week's victories.

Sibneft executives said that on Christmas Day the company had paid a Rbs 513bn ($88m) tax bill owed by the Omsk refinery. The payment will save Omsk, regarded as one of Russia's best refineries and one of Sibneft's most valuable assets, from being repossessed by the state.

Sibneft became the first Russian company to tap the international debt markets in August, issuing a $150m Eurobond.

The seizure of the Omsk facility would have had a negative impact on the company's credit ratings, a company official said. On Christmas Day, Sibneft also won a legal victory *fending off a challenge by* Oneximbank, the owner of Sidanco, another Russian oil giant.

Oneximbank had contested the May privatisation of a 51 per cent stake in Sibneft, but its claims were rejected by a Moscow court.

Sibneft claimed the legal action by Oneximbank had been a "spoiling tactic" aimed at weakening the company in the contest for Rosneft.

"Sibneft has successfully quashed an attempt by its competitors to use the courts for their political gains," Sibneft said in a statement.

Greater pressure on a buoyant sector

After finishing on a roll, UK water companies face a harder year in 1998. **Virginia Marsh reports**

Britain's water companies confounded the pundits during 1997. Despite a looming regulatory review and footing much of Labour's £5bn windfall tax bill, they finished the year on a roll.

The sector has outperformed the FTSE All-Share index by some 15 per cent and the rises in share prices come on top of double digit dividend growth at many companies.

The outperformance is partly explained by the strengthening of the pound. This led investors to shift funds into water companies – seen along with other utilities as safe havens with relatively protected domestic earnings – and away from manufacturers and exporters.

Few, however, expect such good times in 1998. The year is set to be dominated by preparations – and posturing – for what promises to be a tough regulatory review in 1999.

"This year water companies as a group were popular," says one analyst. "In 1998, it will be much more a case of picking the winners and losers in light of whatever starts to emerge from the regulatory review."

Among other things, Ian Byatt, the industry regulator, is expected to impose real price cuts and to limit dividends and returns on capital in the review which spans 2000-05. His proposals are designed to enable customers to benefit from companies' productivity improvements more rapidly than over the past five years while preserving the financial incentive for companies to cut costs in the first place.

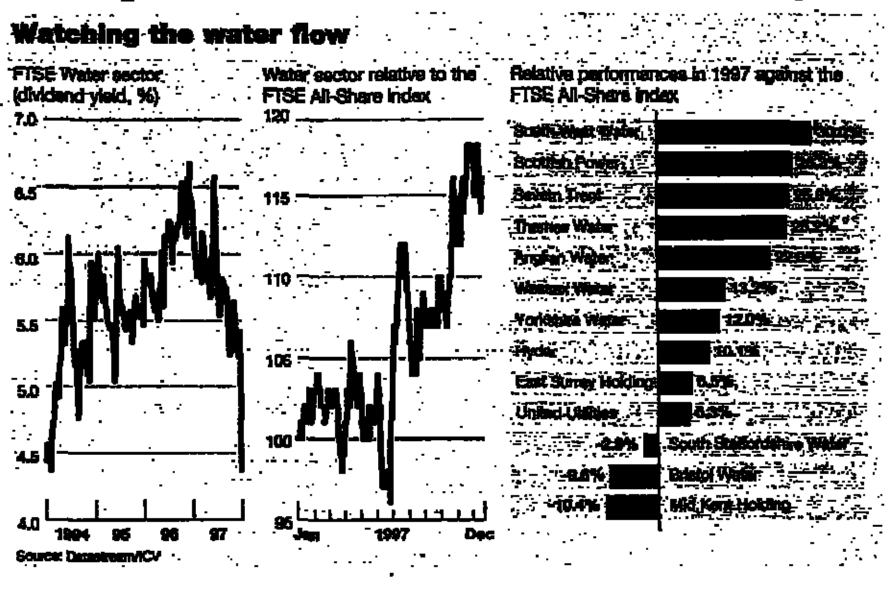
Mr Byatt is widely regarded as having let off companies lightly in 1992, when he set price caps for 1994-99. His new political masters in the Labour party expect to see his leniency reversed.

The sector has already had a foretaste of the new regime. It was hit for a large chunk of the windfall tax on utilities and then had to agree to several new measures, notably on leaks, following the new government's water summit with the industry in the summer.

Reducing water leaks has become something of a government mantra even though some companies say they have almost reduced leakage to the level where further efforts become uneconomic.

As part of the agreement in the summer, companies undertook to provide free leakage and detection repair services for customers' supply pipes. Leakage from these pipes makes up a quarter of the total lost - about 1bn litres a day.

For the first time, companies have also been given compulsory annual leakage targets. On the face of it, the targets are unlikely to have a significant impact on profits as many coincide with ones companies had already set. But the setting of targets – with penalties for failure – augurs an increasingly interventionist approach by the regulator in the run-up to the review.



Another area of differences, both with the government and within the sector, is metering – charging according to amounts consumed. This is practised by most industrialised countries but in Britain only about 10 per cent of households are metered.

The government is unwilling to sanction mandatory metering of domestic customers because of concerns that this will disadvantage the poor, even though metering has been shown to lead to lower water consumption. This is increasingly important because of water shortages in many parts of the country and the high environmental and financial costs of building new reservoirs.

Competition is also set to become more of an issue in 1998. At the start of the year, the regulator was still dragging his feet over approving any inset applications – a legal arrangement allowing companies to supply rivals' customers – while many in the industry were bitterly opposed to competition.

Not only has Ofwat begun to approve applications, some of which were lodged more than two years ago, but Mr Byatt has also said he will require companies to divulge pricing information in cases where monopolies are challenged by potential competitors. This is because he considers a lack of transparency as his biggest obstacle in judging inset applications.

Equally, some companies this year started to take the prospect of competition more seriously. This was demonstrated by South West Water's decision in November to buy a 50 per cent stake in Enviro-Logic, a consultancy rooted in a new, competitive approach to water supply.

The pressures of competition and of the review mean the market will increasingly rate those companies whose non-regulated activities have attractive growth prospects. This was underlined during the year by the government's decision to block the takeover of Mid Kent by two French-owned companies – a move seen as ruling out, for the time being at least, mergers or takeovers of the larger water and sewerage companies, some of which had seen such consolidation as a means of growing and cutting costs.

Diversification is perhaps where the water companies – once almost only distinguishable by the different geographical areas they serve – have varied the most in their approaches since the sector's privatisation in 1989.

Larger companies such as Thames and United Utilities, which encompasses North West Water, opted to expand overseas, with generally dismal results. United – which like Hyder and ScottishPower has also gone down the multi-utility route – this month topped off a year already overshadowed by bitter boardroom struggles by deciding to halt work on a long-troubled £150m sewerage contract in Bangkok.

Other companies have chosen to expand into waste and other environmental services. South West Water, for example, this month leapfrogged rivals in the growing landfill waste disposal sector by agreeing to buy a large independent regional operator. The move is part of its plan to expand sales at its waste, construction and environmental instrumentation businesses to equal broadly those of the water and sewerage operations by 2000.

But again, expansion in waste has proved difficult for the UK water sector, partly because of competition from powerful international groups like France's Générale des Eaux.

Such challenges mean that in 1998 companies will have to balance managing appropriate, but time-consuming and potentially risky diversification, against the equally important task of getting their core regulated water businesses into shape for the review.

Disguisables called in to arrest Budgie's dive

Emiko Terazono takes a look at the attempts to wake up Sleepy Kids' performance

A group of tough street kids known as *The Disguisables* are cartoon characters out to save the human race from the Artificials, a "new and heartless species of intelligent machines".

For investors, the crucial question is not whether *The Disguisables*, to be marketed next year, will be able to save humanity, but whether it will salvage the floundering shares of the cartoon's creators, Sleepy Kids.

Better known for its animated *Budgie the Little Helicopter*, created by the Duchess of York, Sleepy Kids has struggled to break out of the one-product company mould.

Budgie and its royal link has proven to be a double-edged sword for the company. The Duchess's name helped the group export Budgie to more than 70 countries, but negative media coverage in the UK hit merchandising sales and Sleepy Kids' share price.

Earlier this year, the company became embroiled in a $22m (£13m) legal dispute with Budgie's US marketing agents, and ITV failed to commission a fourth series of the cartoon. Sleepy Kids was forced to write down the intellectual property value of Budgie from £2.4m to £1.8m due to developments in the US.

Ever since the group bought the worldwide rights of Budgie in 1992, the company's fortune has roller-coastered with the Duchess's reputation. The shares, which hit a high of 118p in 1994, have slumped to 13p.

Although the company owns other animation properties, about half of last year's profits came from Budgie, and the group reported pre-tax losses of £166,000 at its interim stage as Fox Children's Network in the US dropped the Budgie series at the end of last year.

The company, founded in 1985, created animations *Dr Zitbag's Transylvania Pet Shop* and *Potsworth*, which was co-produced with Hanna-Barbera. It floated on the USM in 1989 at 20p, moving to a listing last year.

Martin Powell and his wife Vivien Schrager Powell, the company's founders, are hoping that *The Disguisables*, along with another cartoon, *Tickling Funsters*, will help diversify the group's animation portfolio. "We're addressing the criticism, and we've had great response for the two products," says Ms Schrager Powell.

David Advani, analyst at Durlacher, says the investment attractions of an animation company are similar to those of a biotechnology company. Children's animation characters can have long lives, he says, and a blockbuster hit will also bring in profits from merchandising products including stationery, toys, and videos. "But the risk is that it may never happen."

That is why, he says, companies need a portfolio of characters. Sleepy Kids seems to be addressing this, says Mr Advani. "It is trying to avoid blips by creating a more widely based group."

Mr Powell says Budgie remains the backbone of the group, and he has no plans to sell it. "Children still love Budgie. They don't care who made it," he says.

He points out that in an age of multi-channels, animation libraries are fetching premiums. Sleepy Kids is trying to build up its portfolio and selling Budgie as a sole product would not be an option, he says.

His comments reflect recent deals indicating the trend towards higher valuations for animation catalogues.

Last year Caspian, the owner of Leeds United Football Club – soon to be renamed Leeds Sporting – sold Filmfair, a library of 100 hours which included the Wombles and Paddington Bear, for £10m. The company bought the library for £1.75m in 1991. In another deal, Trocadero, the leisure group, paid £13.5m for the Enid Blyton library.

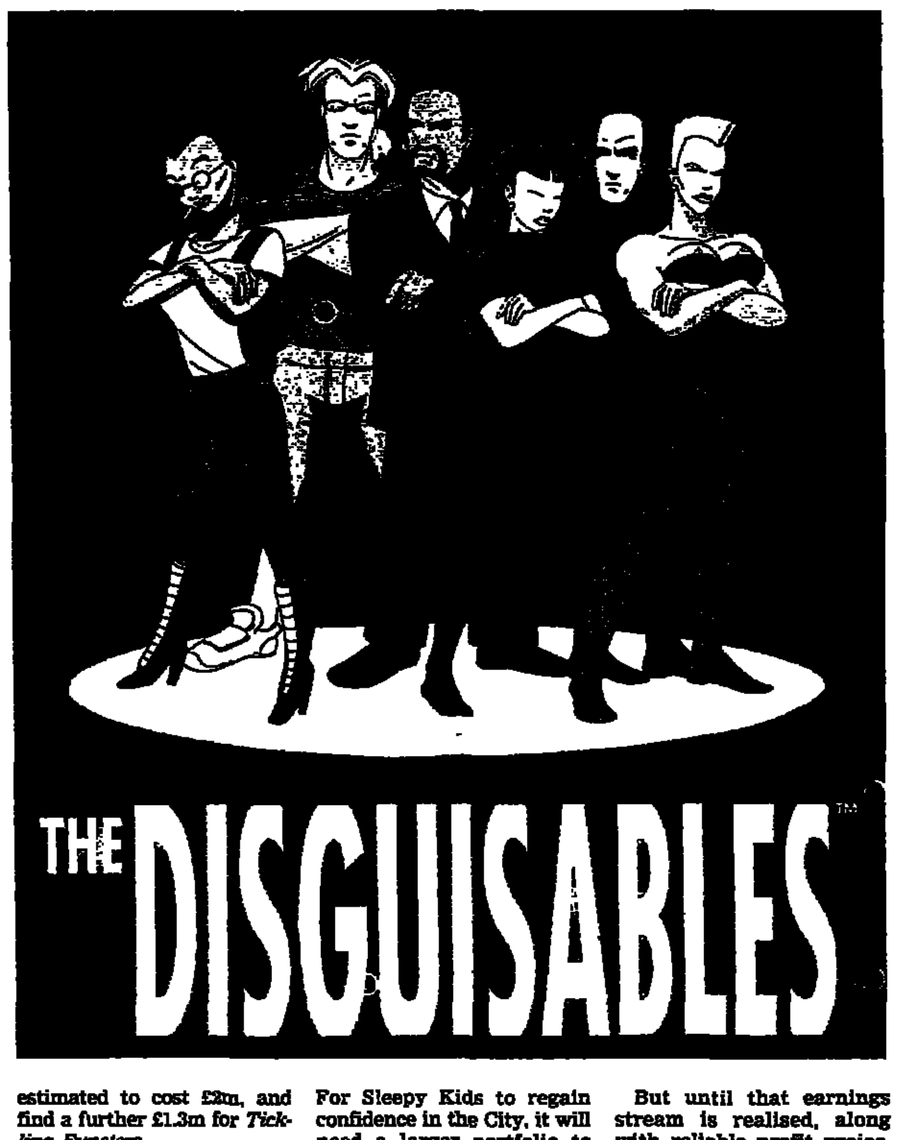
In order to place a valuation on its 45-hour portfolio, Sleepy Kids is currently in talks with several specialist evaluators, which include accountancy and law firms.

Mr Powell says he is seeking investors to take a minority stake in the company. The group needs to finance the production of *The Disguisables*, which is estimated to cost £2m, and find a further £1.3m for *Tickling Funsters*.

He admits that the company has its "lumpy period" as it goes through a developing phase for its products.

For Sleepy Kids to regain confidence in the City, it will need a larger portfolio to produce a steadier earnings flow that will allow analysts to produce reliable profit projections.

But until that earnings stream is realised, along with reliable profit projections and a price/earnings multiple, investing in the company may seem hardly more than a punt.



Allied London venture

Allied London Properties has announced a joint venture to redevelop its industrial estate near Dartford, Kent, with Clerical Medical Investment Group. It is also buying two London properties, in Bloomsbury and Covent Garden, for £16.3m.

CMIG has acquired a half interest in Allied's Dartford Trade Park for a cash sum valuing the 45-acre site at £32m.

Allied has bought the 550,000 sq ft Brunswick Estate in Bloomsbury from Rugby Estates for £13m. Current rental value is about £1.2m a year and, following refurbishment, Allied expects it to be £2.2m-£2.5m.

In Covent Garden, it has bought 25 Shelton Street, a 17,000 sq ft office building for about £3.3m in a swap transaction with Dawnay Day Properties which has acquired Allied's Brunswick Trading Estate. Allied intends to seek change of use to retail, restaurant and residential.

Ashtenne buys Scottish portfolio

Ashtenne Holdings, the property investment group, is buying three companies that make up the majority of the Scottish property assets of Whithorn, a private property group.

Ashtenne will pay £8m for the portfolio which comprises 16 industrial estates totalling 600,000 sq ft in central Scotland.

Some £7m of the consideration will be via the issue of 5.14m shares at 136p each.

A further payment of £1m cash is deferred a year from completion until Whithorn has satisfied a warranty.

Ashtenne has also agreed to a put and call option with Whithorn whereby it will acquire Charnwell, which owns the balance of Whithorn's Scottish industrial property portfolio.

This comprises six industrial estates valued at £3.7m.

Micro Focus buy in US

Micro Focus, the software house with quotes in London and on Nasdaq, has agreed to buy privately held XDB Systems of the US, a provider of development, maintenance and connectivity tools for the DB2 database standard.

Holders of XDB shares will receive Micro Focus shares based on a formula which values XDB at $13.4m (£8.1m).

There will be a further payment of $3.1m for certain assets of XDB.

The value of shares to be issued will depend on the mid-market price of Micro Focus shares in the 30 trading days prior to the closing date, expected to be on January 15.

In the year to January 31, XDB lost $3.2m on sales of $10.1m and had assets of $13.1m.

Greycoat deals in London

Greycoat is to acquire the long leasehold interest in 20 Cannon Street, London, from a subsidiary of Reit Asset Management for £17.5m cash. The property is let to Herbert Smith to 2008 at a gross rent of £1.96m a year, providing an initial yield of 9.72 per cent.

The company has also exchanged conditional contracts with Scottish Life on a composite deal involving Greycoat's 1 Great St Helens, London, development and Scottish Life's investment at 36 Poultry, London.

On completion and letting of the 51,000 sq ft development at Great St Helens, Scottish Life will acquire a 50 per cent stake in the freehold building, with the option to acquire the balance at its then market value. At current rates, the value of the development is £30m-£40m.

Greycoat will acquire the freehold of Scottish Life's 47,500 sq ft office and retail investment at 36 Poultry.

NEWS DIGEST

Firth Rixson makes purchases

Firth Rixson, the Sheffield-based specialist engineer which trebled profits last year, has confirmed that it is buying two businesses from Barworth Holdings for £12m cash.

The purchase of Barworth Flockton and Moss & Gamble Brothers from their private owner includes the assumption of £10m of inter-company and bank debt. Firth Rixson is funding the deal from its own resources.

G&J Hall, a manufacturer of engineers' cutting tools owned by Barworth Holdings, is not included.

Barworth Flockton reported pre-tax profits of £1m in the year to September on sales of £13.5m; it had net assets of £11.2m. Moss & Gamble had sales of £1.8m and profits of £200,000; its net assets were £700,000.

Andrew Edgecliffe-Johnson

LSE IT index from January

An index for information technology companies traded on the London Stock Exchange is to be launched on January 2. The original timescale had been by the end of 1998. The date has been brought forward following the enthusiastic response to proposals for an IT sub-sector earlier this month. It will be the first time a sub-sector has been given its own index. *Paul Taylor*

Innovative Technologies stake

Shares in Innovative Technologies, the healthcare group which makes high technology wound dressings, gained 15p to 109½p on Christmas Eve after Credit Suisse First Boston Equities revealed it had a beneficial interest in 2.42m shares, representing 6.55 per cent of the issued share capital.

Despite the gain, the shares are still languishing well below the 310p price of the group's £13m placing and open offer in July. The share price fell sharply in September after the group reported that pre-tax losses for the six months to June 30 widened from £1.7m to £2.6m, on disappointing sales up from £715,000 to £967,000.

The following month, Keith Gilding, founder and former chief executive, and his wife Diane Mitchell resigned from the board. *Paul Taylor*

Barbican Healthcare buys

Barbican Healthcare has broadened the range of its corporate and private healthcare provision with the acquisition of two dental services companies for an aggregate £2.15m.

It is paying up to £1.67m for Corporate Dental Services, which provides mobile and on-site dental services to companies, and £480,000 for M Spencer Swaine, which provides dental services in the City.

In the year to October 31, the former made profits of £192,000 on turnover of £750,000. The latter made £702 on turnover of £526,000 in the year to July 31.

Stuart Bruck, chief executive of Barbican, said both acquisitions would contribute to group profits in the coming year, and expected to make further acquisitions in the first half of 1998.

WBB expands in Germany

Watts Blake Bearne, the clay mineral mining group, has agreed to buy a quarry and a mineral rights concession, both in the Westerwald region of Germany, for £10.2m cash from Keramchemie. Half is payable immediately and the remainder at the end of next year.

Recent drilling has indicated about 10m tonnes of reserves of fine ceramic clays at the two sites.

DMGT £25m property sales

Daily Mail & General Trust, the media group, is to sell various property interests in the Fleet Street area of London and in Manchester to Hilstone Corporation for £25m, of which £3m is deferred for a year. DMGT said the transaction was expected to produce an exceptional gain of some £5.5m.

Inter-Alliance to raise £5m

Inter-Alliance, an independent financial adviser which operates nationally, is to list on Aim early next year in an offering which will value it at £13.5m.

It hopes to raise £5m at 268p a share through an offer for subscription of 1.86m shares, representing 37.2 per cent of the total equity.

The funds will allow expansion. The group currently has eight offices throughout the country.

Vymura signs Benetton deal

Vymura, the wallcoverings maker, has signed a licensing agreement with Benetton, the Italy-based multinational fashion house, to produce a range for the UK market. The deal is worth up to £10m in sales over five years. It is the first time a British company has brought a home furnishing product to the UK market under the Italian company's label.

Samsung Lloyd's syndicate

Samsung is to set up a syndicate at the Lloyd's of London insurance market. The South Korean conglomerate is the second large east Asian company do to so, following Nissan last year.

Samsung will provide £10m of capital to support business written of £4m next year. The syndicate will be managed by Murray Lawrence, one of the biggest underwriting agencies at Lloyd's.

Samsung Fire & Marine, which has assets of $30bn (£18m), is the biggest non-life insurer in South Korea and its Lloyd's operation is expected to cater mainly for the needs of clients outside its domestic market.

SSSI in Jumbo deal

Self Sealing Systems International, the Aim-listed maker of self-sealing balloons, is buying Jumbo Promotions.

Jumbo's principal activity is advertising promotions and public relations, mainly through the supply of static inflatable units and balloons. It made a pre-tax profit of £137,000 for the nine months to September 30 on turnover of £761,000. Net assets were £409,000.

Consideration is £1m cash and 1m new shares. SSSI also plans to raise £1.3m net by way of a placing and open offer of 7.25m shares at 20p each.

SSSI shares were suspended at 17½p, pending approval of the deal at an extraordinary meeting.

Critchley buys in France

Critchley Group, which makes cable identification products and components for the electrical and telecommunications industries, has acquired Groupe Riondet-Malbert, a French specialist manufacturer, for FFr77m (£7.8m).

In the year to November 1997, Riondet-Malbert's sales were FFr75m and profits were FFr10m. The net assets acquired are about FFr14m.

Spring Ram's £15m sale

Spring Ram is selling a 10 acre property at Birstall, Leeds, to a subsidiary of Edge Properties for £15m cash. Its book value is £6.8m and it has planning consent for 92,500 sq ft of retail warehousing. The site is at junction 27 of the M62 motorway, adjacent to an Ikea store and a retail park. Edge said the property would form "a strategic part" of its core portfolio. Spring Ram will use the net proceeds to reduce borrowings.

COMPANIES AND FINANCE

Cinven near to deal on IPC buy-out

By Robert Wright

Cinven, the venture capital group, is close to completing a management buy-out of IPC Magazines from Reed Elsevier, the Anglo-Dutch publisher, in a deal expected to be completed by January 5.

No price has been confirmed, but IPC had been expected to sell for between £860m and £950m ($1.41bn-$1.53bn), about 11 times the group's £80m cashflow.

Cinven, one of the UK's largest venture capital companies, appears to have secured exclusive rights to negotiate a deal by promising a quick purchase.

Final agreement could be reached by January 5, just over two weeks after the December 19 deadline for submission of bids. The transaction would be one of the UK's largest management buy-outs.

A quick sale would appeal to Reed Elsevier because it is attempting to complete its £20bn merger with the publisher Wolters Kluwer of the Netherlands.

The European Union is conducting an investigation into the effect of the merger on the publishing industries of a number of EU member states. The merger is scheduled to be put to shareholders in April.

Cinven is able to offer a quicker sale because it faces none of the regulatory hurdles that affect trade buyers. Media companies that had been linked with IPC included Bertelsmann and H Bauer of Germany, Hachette of France, Hearst and Time Warner of the US, and the UK's Mirror Group, News Corporation and Emap.

Reed Elsevier is the joint operating company of Reed International of the UK, and Elsevier of the Netherlands.

Cinven's move will have caught other bidders unawares because much of the work on the deal was done over the Christmas holiday.

Cinven was advised by Salomon Smith Barney. Reed Elsevier was advised by SBC Warburg Dillon Read.

IPC publishes 74 consumer titles in the UK, including Loaded, TV Times, Woman's Own and New Musical Express. Interest in the sale has been intense because it is rare for large portfolios of magazines to come on the market.

Reed Elsevier put all IPC's titles except New Scientist up for sale in October because they no longer fitted the group's strategy following the Wolters Kluwer merger, when it will concentrate on specialist titles.

The group is also less important to Reed because of the abolition of UK advance corporation tax. It had previously used IPC's UK cashflow to offset the ACT liability.

According to Reed, IPC made profits of £63m before interest and tax on sales of £314m in 1996. If the sale goes ahead after due diligence and other checks, Cinven will develop IPC as a stand-alone consumer magazine business. The eventual aim is likely to be a separate stock market flotation.

Reed Elsevier has given permission to IPC's existing management to negotiate with Cinven over terms for the buy-out.

Crown Casino probe to be widened

By Gwen Robinson in Sydney

Australian securities authorities are set to widen their investigation of the financial problems at Crown Casino, one of the country's largest listed casino operators, and of whether the company breached stock exchange rules on continuous disclosure.

The probe was launched on December 19 after Crown disclosed a A$40m (US$26m) operating loss in the five months to November and a negative cashflow of A$15m. The company said it would not reach its forecast A$1.3bn revenues in the current business year and announced a bail-out plan and share issue.

Crown's announcement came in spite of comments to shareholders as recently as October 6 by Lloyd Williams, chairman, that the company was "on track" to achieve the 1998 revenue goal of A$1.3bn. A month later, Mr Williams dismissed suggestions Crown was losing money as "ridiculous".

The Australian Stock Exchange and the Australian Securities Commission investigation has so far revealed that Crown:

- Failed to disclose by a September 30 reporting deadline that it had exceeded its gearing level limits as set under the terms of its casino licence
- Received a warning letter on November 10 from the Victorian casino authority about the breach
- Misled investors about its financial difficulties, insisting it was making profits.

Crown's financial problems have been blamed on its campaign to lure "high-roller" gamblers from Asia, which has entailed enticements such as private jets, first class domestic air travel, luxury accommodation, and the company's own exclusive golf course.

The company spends about A$23m a month to attract international gamblers and is able to do this because of lucrative tax breaks granted by the Victoria government.

However, the high-rollers have cost Crown dearly, winning at least $55m from its tables in October and November.

Crown's A$200m bail-out plan, including the $146m rights issue, is to be underwritten by ANZ Securities, the broking arm of ANZ Bank. ANZ Securities and Bank of America have jointly underwritten a A$650m debt facility for Crown Casino. Its largest shareholder, construction group Hudson Conway, will provide it with a $50m short-term loan facility.

Mr Williams admitted the rights issue was "market-sensitive information", but defended the abrupt announcement of the loss and the company's decision to undertake the issue. Mr Williams said Crown had been considering how to remedy the breach of the casino licensing agreement by applying sufficient cash reserves to reduce the debt.

"Crown acknowledges that its proposal for a rights issue was price-sensitive information, but that the proposal was not complete, and therefore could not be disclosed until December 19," he said.

In a lengthy response to investigators, the company said legal opinions received on October 9 indicated it had no requirement to inform the market of its balance sheet crisis.

Crown's share price dropped 25 per cent to 63 cents after the news of the losses and rights issue. The shares were trading at almost A$3 a year ago.

Malpensa prepares for take-off

KLM's deal with Alitalia will turn Milan's airport into an international hub

The boards announcing *partenze* – departures – are up inside the L1,060bn ($609m) terminal building that is to transform Milan's Malpensa airport into an international hub. But they remain blank. The facility, which was to have opened this month, will not be ready until mid-1998.

The chief executives of KLM and Alitalia met amid the snow-coated building works recently to shake hands on an agreement outlining a comprehensive partnership, of the kind the Dutch carrier has built with Northwest Airlines of the US.

Co-ordinating their routes into a single network of passenger and cargo services is so complex that KLM is untroubled by the construction delay: the new schedules will be in place only by next November.

KLM's Leo van Wijk last week flew in with his team on a Boeing 737 named the Marco Polo, saying he hoped the alliance would have the same sense of vision as the 13th century Venetian traveller.

Domenico Cempella, the reforming head of Rome's state-controlled carrier, proclaimed the deal, and the Malpensa project which will make it possible, a "positive sign of the changes affecting Italy".

The former check-in clerk made clear he was flattered that the renaissance in Alitalia's finances and operating standards had drawn partnership overtures from three leading Europe-based carriers. Just as important, suggestions that national politicians would impose a choice on grounds of diplomatic expediency were proved wrong.

"We were able to select our own partner, solely with the aim of improving our competitive position," he said. Air France, which lost out along with Swissair, had been favoured by some in Rome.

Mr van Wijk estimated the extra proceeds from putting together the two networks at "some hundreds of millions of dollars" a year. This was before the two even started to explore ways of bringing down operating costs. And on that point, he indicated that there were certainly costs – staff included – to be cut.

Integrating aircraft fleets, engineering and maintenance, and data systems should also deliver future benefits, but are not part of the memorandum of understanding that is intended to lead to a hard-and-fast accord by February.

The rewards for now would flow into the airlines' accounts merely by connecting the right flights to the right places at the right times.

"It is surprising what you can do with proper network design," said Donald Kalff, KLM vice-president and chief negotiator in the deal.

"Your market position between, say, Stuttgart and Aberdeen is what counts. It is a matter of totting up." Alitalia's network of largely short-haul routes would contribute "very substantially". This was more important to profitability than overall market share, where KLM says it has some 7 per cent in Europe.

Together with Alitalia that share would be "at least 10 per cent and reaching for 15 per cent", said Mr van Wijk, describing it as the minimum range needed to play a leading role.

Partners in the sky

April-September 1997	Alitalia	KLM
Revenues ($m)	2,600	3,597
Operating income ($m)	300	388
Passengers carried (000's)	13,800	7,000
Destinations served		
Europe	59	63
Extra-Europe	43	74
Total	102	137
City Pairs	5,15[illegible]	[illegible]
Fleet		
[illegible]	[illegible]	52
Short haul	120	68
[illegible]	144	120
Staff	17,300	26,300

In a market expanding at about 8 per cent a year, the new allies believe they can achieve growth above 10 per cent.

Analysts can find little fault in the fit between the two companies. Their hubs are far enough apart not to feed off each other, and each carrier will have gaps plugged in long-haul destinations.

Some observe that Alitalia's fleet is elderly by comparison, and its image is not all that it could be.

The airline known of old to passengers as "Always Late In Take-off, Always Late In Arrival" was, however, already committed to a system for Malpensa involving three "waves" daily of flight arrivals and departures.

These operations will now be integrated with KLM's schedules in what has been the most complicated technical element of the talks which brought the accord.

Mr Kalff argues: "You need standards of punctuality that are considerable if you are to bring down 60 planes in an hour and have 60 take off. Any flight that leaves can be fed from 59 other planes."

The partners promise more direct connections within Europe and higher frequencies, as well as an increase in intercontinental services.

Alitalia is to retain its existing loose ties to Continental Airlines of the US until 2002 but join hands directly with Northwest once Italy and the US resolve an "open skies" pact.

That bilateral accord would have to be phased so that Alitalia, which has been able to set high fares in its time as a virtual monopoly, does not suffer a revenue implosion.

For KLM, "the priority in 1998 will be finding an Asian partner," said Mr van Wijk. Japan Air System is among two dozen carriers worldwide with which it has co-operation agreements of some sort, but its network is limited and the Dutch are understood to be looking for at least one regional heavyweight. Speculation centres on Hong Kong's Cathay Pacific.

To handle flights from Asia and elsewhere, the renewed Malpensa will have an eventual capacity of 28m people a year and 1m tonnes of cargo.

This should ease the transit burden on KLM's Amsterdam hub, although Mr van Wijk insisted the deal was not intended to solve the noise restrictions imposed on Schiphol. The Dutch carrier had long sought a European partner, and talks began in April before that problem arose.

While the deal is a new departure for KLM, for Mr Cempella it means that Alitalia has arrived.

Gordon Cramb

Homestake bid gives gold mining sector a lift

By Kenneth Gooding, Mining Correspondent

Gold mining shares have risen sharply in the past few days following the agreed US$840m takeover bid by Homestake of the US for Plutonic, an Australian gold producer.

Investors are anticipating further consolidation in the sector as companies battle to survive when the gold price is near an 18-year low.

The Homestake-Plutonic deal, announced a week ago, was the catalyst for a 7.5 per cent rise in Australia's gold mining sector.

Jack Thompson, Homestake president, pointed out that the steeper fall in Australian gold share prices, compared with those of North American producers, and a weak Australian dollar against the US currency, had allowed his group to offer an 86 per cent premium on the previous Plutonic market price.

"If Homestake is prepared to pay an 86 per cent premium, then it definitely opens up the whole market," said Keith Goode, analyst at Bell Commodities, a Sydney stockbroker.

Among the companies showing big rises since the Homestake bid are Normandy, Australia's biggest gold group, and Lihir Gold.

Gold shares in Canada also benefited from the Homestake move, and the Toronto exchange's gold sector rose 2 per cent as investors considered the possibility of more takeover activity.

"I definitely expect more mergers in the next few months," said Mike Curran, analyst at Midland Walwyn the Toronto stockbroker.

David Christensen, analyst at the Merrill Lynch financial services group, also predicted that there would be more mergers because of low gold prices. He pointed out that North American gold producers took about $1.3bn in write-downs in the third quarter after reviewing their assets.

"Corporate rationalisations and consolidation could become a major theme during 1998 as the industry looks for ways to improve profitability," he said.

Even strong companies feel vulnerable. Barrick Gold, second largest North American producer, adopted a shareholder rights, or "poison pill", plan this month as a defence against any unwelcome bid. The company said this was not a response to any approach, however.

The long period of falling gold prices certainly gave Homestake its chance to bid for Plutonic. Homestake had been seeking to buy Malaysian Mining Corporation's 36 per cent stake in Plutonic since March, but MMC was not interested.

Homestake then made overtures to MMC in August about a partnership unrelated to Plutonic but was also rejected. Then early in November, MMC approached Homestake, said it had had a change of heart about Plutonic, and serious negotiations began only in November.

Plutonic's share price had fallen from A$7.50 in mid-1996 to A$1.95 before the bid. It reported a net loss of A$63m for the 1997 first half following a write-down of the carrying value of its five mines in Western Australia.

DLJ to expand in Europe

By Jonathan Ford

Donaldson Lufkin & Jenrette, the US investment bank, is expanding its presence in eastern Europe. The move continues DLJ's rapid build-up in Europe following its acquisition of Phoenix Securities in the UK last March.

DLJ said it had hired Charles Harman, formerly managing director of MC-BBL, the specialist eastern European investment bank, to head its eastern European operations and planned to open an office in Moscow in the first quarter of next year.

The bank intends to focus on debt and equity capital markets, mergers and acquisitions, and private equity.

DLJ's move comes at an uncertain time for the Russian markets. After rising by 195 per cent in the first nine months of the year, Russian equities have fallen by more than 30 per cent since the global shake-out at the end of October.

Investors in Russian sovereign and corporate bonds have seen spreads widen dramatically.

Mr Harman said that DLJ had taken a sanguine view of recent events in Russia because it believed the markets were likely to recover in 1998.

"The key issue for investors in Russia in the last quarter was whether the government would stand by its commitment to stabilise the rouble," he said.

"Despite the problems from Asia, the rouble has held its value and that has to give investors confidence."

Last year, DLJ was the top-ranked lead underwriter of US high yield bond issues, managing $5.9bn of public offerings. It was also the fourth biggest underwriter of US equity offerings, handling deals worth $3.6bn.

INTERNATIONAL NEWS DIGEST

Sanwa to increase stake in Thai bank

Japan's Sanwa Bank is to lift its stake in Thailand's Siam Commercial Bank, the nation's fourth largest, from 0.6 per cent to about 13 per cent. The Japanese bank said it would purchase new shares worth $100m to be issued next year, with half to be paid shortly and the rest in April. Sanwa said that despite its economic problems, Thailand remained an attractive long-term market. Sanwa Bank, one of Japan's big commercial banks, has had close ties with Siam Commercial since an initial investment in 1974.
Reuters, Tokyo

■ INDIA

Delay to plan for equity futures

India's financial regulator, Sebi, has postponed publication of its blueprint for India's first equity futures market – to be based at the National Stock Exchange – after a last-minute wrangle over details in the text.

The outline of the plan – to introduce an equity futures contract based on the NSE 50 index of stocks in spring next year – is already known. But regulators and stock exchange officials are still debating the wording. Differences are believed to centre on references to a carry-forward system. India already has a system of stock lending, known as *badla*, which allows speculators to roll over trades. When the committee of experts was first set up to study the introduction of derivatives, it was strongly opposed by the Bombay Stock Exchange, India's second largest. The BSE now accepts the move in principle but is anxious to protect the existing *badla* system.

Sebi officials said the plan would be officially unveiled "after another two or three meetings", probably next week.
Krishna Guha, Bombay

■ PHILIPPINE AIRLINES

Carrier posts 3bn pesos loss

Philippine Airlines, the national carrier, posted a net loss of 3bn pesos ($75.7m) from April to October in the year ending March 1998. The company gave no comparative figure for last year but it said its net loss for the previous fiscal year was 2.5bn pesos. High operating expenses have slashed the airline's earnings.

PAL said a possible pilots' strike would further worsen its financial problems. Last Wednesday, the Airline Pilots Association of the Philippines voted to strike. The union said PAL had illegally dismissed a pilot. PAL said the Department of Labour and Employment had prohibited any strike or lockouts at the airline. Union members who defied the labour department's order would be sacked, PAL added.
Reuters, Manila

■ FOOD

China and Taiwan groups in tie-up

Ting Hsin, parent of China's biggest maker of instant noodles, is in talks with Wei-Chuan Foods, Taiwan's second biggest food company, to jointly sell products in China and Taiwan. Ting Hsin, which controls about a quarter of China's instant noodle market via Hong Kong-listed Tingyi, may buy shares in Wei-Chuan to cement the two companies' ties, said Chen Chai-chun, Tingyi vice-president. Wei-Chuan confirmed the two sides had held talks on forging a business alliance but declined to provide details.
Dow Jones, Taipei

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Philip Coggan

Risk management the academic way

Financial instruments have become more complex over the past 25 years. At the same time, banks have steadily become more dependent on trading and securities-related income as profit margins on basic lending have been eroded.

These trends have heightened the importance of risk management within financial groups, as have the collapses of long-established, apparently "blue chip" firms such as Barings.

Understanding the factors which determine risk really requires financial services groups to keep pace with academic research in the area. For example, research has shown that volatility is "clustered" – highly volatile days are not randomly distributed through the trading year but are grouped together. A related finding is that market movements do not fit a normal bell curve distribution but have "fat tails" – large movements occur more often than would be predicted.

But, according to a new book* on the issue, the key issue in risk management could be the attempts to predict how economic developments influence market prices. The problem in attempting to forecast the economy is that it is not a physical system, subject to defined laws, but a social system.

Social systems are marked by "self-referentiality", the process through which individuals adapt to new circumstances and change their behaviour; indeed, greater understanding of the economy will, by itself, change the way the economy behaves.

"One might argue that self-referentiality is a question of the 'level' of laws" say the authors. "At the appropriate level, laws should be able to describe agent learning as well as the impact of learning on the environment to be described. In the economy, however, many obstacles stand in the way of comprehensive modelling; phenomena are complex and experiments cannot be performed."

One answer, adopted by many financial firms, is merely to get a better handle on the available data. The advent of electronic trading and the use of computer power means it is now possible to gain access to, and to analyse, vast amounts of real time price information. This at least allows both academics and bankers to test their theories against historical market movements.

The approach taken by academics to the problem, rather than to construct some grand economic theory, is twofold: to pick apart where conventional theory fails to describe the real world and to try to examine, at the individual level, how decisions are taken.

For example, traditional financial theory tends to assume that agents are "price-takers", in other words, that their trading does not affect the price level. For many large institutions, this is clearly not the case; a programme trade by, say, Prudential is likely to move the market.

BARRA in California has developed a "market impact model" designed to forecast the cost, in terms of commission plus market impact, of stock transactions.

Another approach is to examine how individuals take decisions. Economic analysis is based on the rational expectations hypothesis; however, individuals have been shown to have biases such as overconfidence and loss-aversion and can change a good decision-making process which leads to the wrong outcome.

A particular danger for the individual financial organisation is the aggregation of these biases, which may have a self-referential aspect. "One problem in designing hedging strategies is that there is a tendency for people inside a firm to share views. The result: everyone gets caught with the same book" say the authors.

This leads academics to chaos theory, or the study of complex systems. A common mistake, according to one professor cited in the book, has been to assume that chaos theory can be used in some way to predict market movements. This is simply not possible, but the theory can help explain how different market factors relate to each other over time. In particular, it may explain the formation of aggregation and structure in groups, such as teams of traders.

The approach will inevitably be incremental. Small gains in knowledge will lead to short term gains for the firms that use them, just as giraffes with slightly longer necks gain a wider choice of food. But the market will change, or other participants will catch up, and the advantage will disappear.

The nirvana of perfect understanding will never be reached. Because of the complex nature of the system, it may well be impossible to predict the development of the economy over more than very short period.

"Nevertheless" the authors conclude, "a theory that is able to describe and predict how the economy responds to inputs would be a significant step forward".

* *Risk Management: Framework, Methods and Practice by Sergio Focardi and Caroline Jonas, published by Frank J Fabozzi Associates*

Total return in local currency to 24/12/97

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.09	0.07	0.12	0.14
Month	0.47	0.05	0.28	0.29	0.54	0.62
12 months	5.81	0.56	3.28	3.40	6.61	7.00
Bonds 3-5 year						
Week	0.18	0.00	0.54	0.59	0.80	0.32
Month	0.66	0.03	1.52	1.54	2.00	1.57
12 months	7.75	3.21	5.08	4.69	12.66	9.47
Bonds 7-10 year						
Week	0.53	−0.02	0.54	0.55	1.48	0.53
Month	1.18	0.86	2.72	2.35	4.16	2.45
12 months	9.90	7.69	11.10	9.39	23.50	14.58
Equities						
Week	−2.2	−6.2	−1.1	−0.3	0.2	−2.8
Month	−1.5	−4.8	6.7	4.1	8.2	3.2
12 months	26.9	−18.2	41.1	29.0	63.1	24.2

Source: Cash & Bonds - Lehman Brothers. Equities © FT/Actuaries World Indices Ltd. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

INTERNATIONAL EQUITIES By Vincent Boland

Retail investors power European privatisation drive

This was the year when the European retail investor emerged as a powerful force in the new issues market.

As the Continent's privatisation drive picked up speed ahead of monetary union, citizen-investors in Italy, Spain, Portugal, Hungary and France flocked to participate, to the astonishment of bankers, the occasional irritation of institutional investors, and the delight of politicians.

And despite the jittery condition of global equity markets, most of these converts to the equity culture are making money on their 1997 investments. Whether they bought France Telecom or Matav, Endesa or Banca di Roma, investors are seeing a positive return.

The one big exception is Telecom Italia, which launched Europe's biggest secondary share offering into the height of global market uncertainty over Asia's financial crisis. The offering was heavily marketed to Italian retail investors, and some 85 per cent of the shares were eventually sold into that market. The price has since fluctuated around the issue level of L11,200, and was below it on December 23.

Otherwise, Europe's growing number of retail investors had a moderately good year. Privatisation stocks are rarely the most buoyant unless shares are scarce – as was the case with France Telecom – or are sold at an extremely low level, which no longer occurs.

The best performer among the flagship European privatisation stocks this year was Electricidade de Portugal, shares in which were floated at Es2,250 in June and were trading at Es3,548 on December 23, a gain of 58 per cent. Next was Spain's Telefonica, which gained 47 per cent this year, and Hungary's Matav, up a credible 35 per cent since flotation in November.

In these and other issues, retail investors were to the fore, crowding out institutions, whose buying is largely responsible for the post-flotation rises. "From a profitability point of view it has been a record year. If October [the start of the Asian crisis] hadn't happened it would have been spectacular," says Julian Summer, managing director of equity capital markets at Merrill Lynch.

What was it about 1997 that brought retail investors out in such numbers? Certainly offerings were heavily marketed, and came laden with incentives for retail investors such as bonus shares after one year and offer prices set below those for institutions. Many were also of household names in the utilities sector. This combination made privatisation stocks attractive to the investor in the street.

For that trend to continue, however, a successful record in selling state companies is essential in persuading the retail base to keep investing in privatisation stocks. A bull market such as the one that prevailed for most of 1997 helps to shape investor views of the next stock on offer.

The France Telecom case is a good example. French privatisations did not have a good track record until 1996, when prices were dragged upward by the bull market and investors in lossmaking sell-offs finally began to see a profit. That trend continued through 1997, so that by the time of the telecom issue a track record of successful privatisation had been established.

"Retail investors are more interested in whether they are making a profit from previous privatisations, and from how stock markets are doing, than in evaluating the investment merits of a particular stock," says Howard Jones at Paribas, which led the France Telecom issue in which some 4m French people applied for shares.

The fact that investors are making a profit at the end of 1997 is good news for issuers, because there is a heavy calendar for 1998, and governments will be looking to small shareholders to keep investing.

The Swiss, Finnish and Polish telecommunications utilities are expected to be floated. Some observers expect that Air France and possibly another tranche of France Telecom could also come to the market.

Bankers say there is no reason why the retail sector should not continue to play a significant role next year, which is why the gains made in 1997 are so important for the trend to continue.

The big question, however, is how solid the retail demand will be if the market backdrop is not so favourable in 1998. With monetary union imminent, privatisation is likely to continue for budgetary purposes.

But institutions are becoming more selective, especially in utilities, which is where the bulk of the Continent's privatisations are coming from. There is no reason, bankers agree, why retail investors should not eventually become more selective themselves and start stock-picking.

With a lot of privatisations still to be done in Europe, and markets about to enter a new year clouded by more uncertainty than was the case this time last year, retail demand cannot be taken for granted.

There is little doubt about the width of Europe's new equity culture; this year might show how deep it is.

Leaders and laggard

Price performance of selected european privatisation stocks in local currency terms

Company	Issue price	Price 19/12	% gain/ (loss)
Electricidade de Portugal	Es2,250	Es3,349	[illegible]
Telefonica (Spain)	Pt3,239	Pt4,450	37
Matav (Hungary)	Ft 730	Ft957	[illegible]
Banca di Roma	L1,358	L1,537	13
France Telecom	FFr182	FFr208.5	[illegible]
Portugal Telecom	Es7,470	Es8,150	9
Repsol (Spain)	Pt6,010	Pt6,360	[illegible]
Erste Bank (Austria)	As610	As645	6
Endesa (Spain)	Pt2,885	Pt2,775	[illegible]
Telecom Italia	L11,200	L10,755	(4)

هكذا من الاعلى

MARKETS: This Week

NEW YORK By Richard Waters

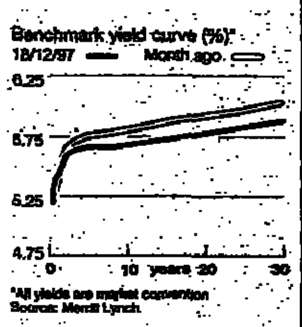
A clue as to how much the Asian crisis has hit US exporters should emerge on Friday with the report on export orders contained in the latest survey from the National Association of Purchasing Management.

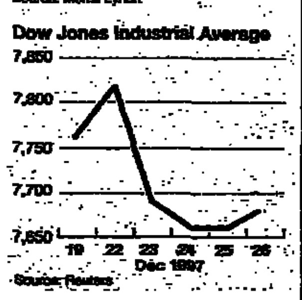
Before then, little domestic news is scheduled in a holiday-shortened week to give the financial markets any new direction, leaving the South Korean crisis the matter of most immediate concern to Wall Street.

The stock market had its quietest day of the year on Friday, and with it closed after 1pm this Wednesday and all day Thursday, trading is likely to be thin.

The December NAPM report is expected to show a slight weakening in activity, with the overall index projected to fall to about 53.5 from 54.4 in November. Wall Street expects that decline mainly to be prompted by events in Asia, with falling export orders more than offsetting higher orders from retailers during the Christmas season.

Such an outcome would add weight to the argument that deflationary forces from Asia will act as a counterweight to domestic demand, a belief that had driven the yield on 30-year Treasuries down to 5.9 per cent by the end of last week.





The Chicago Purchasing Managers' Index on Wednesday is also expected to register a decline, from 59.5 in November to 57.8 in December.

Today, the monthly report on home sales is expected to show a slight decline for November, to about 4.39m, after touching a record high in October. With mortgage rates falling in line with long-term interest rates, the stage could be set for the housing boom to continue well into the new year.

LONDON By Philip Coggan

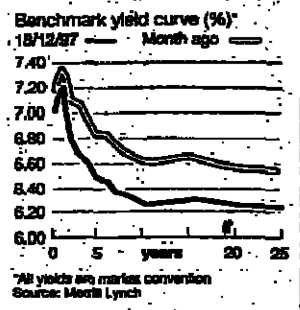
The last few trading days of what has been a pretty decent year for the UK stock market are expected to pass quietly. Some dealers may stagger in after consuming their turkey and sprouts, but many will take the week off.

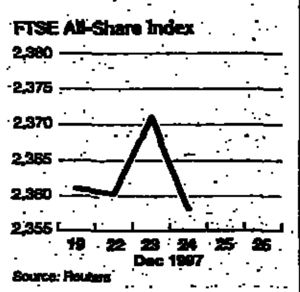
The main focus will be international, with investors on the lookout for more bankruptcies in Korea and Japan. Bad news from either country could cause sharp movements in what will be an illiquid market.

The main economic statistics of the week will be Friday's purchasing managers' index and M4 broad-money supply numbers. These may give some clue on whether the economy is slowing down in the face of sterling's strength and the five interest-rate rises since the election.

There are no scheduled corporate results but companies have been known to slip in a profits warning or two in the quiet period between Christmas and New Year. And, given that there was a steady stream of bids for small companies in the week before Christmas, there will always be the hope of some further takeover activity.

While the FTSE 100 index performed much better than expected in 1997 – easily





passing 5,000 when even the most optimistic forecast only 4,500-4,600 at the start of the year – smaller companies have performed much less well. By Christmas Eve, the FTSE 250 index had gained just 4.8 per cent on the year and the SmallCap index 5.0 per cent.

The market's strength has been concentrated in the bank, pharmaceutical and oil sectors, which are heavily represented in the Footsie but rare in the 250 and SmallCap indices.

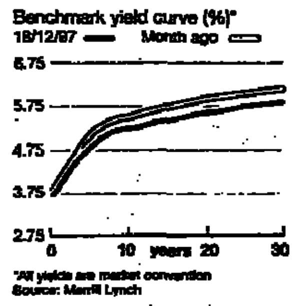
FRANKFURT By Graham Bowley

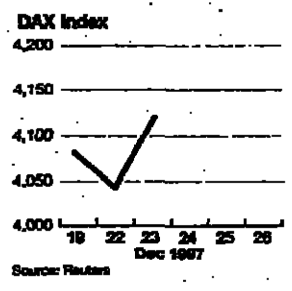
Germany will start the new year with strong export growth but worrying signs of weakness in the domestic economy. Many of its large exporters have had a good year in 1997 thanks to better sales abroad, which gave their shares a hefty push upwards. The big car manufacturers, Germany's largest export sector, have had an especially good 12 months, and with new models due next year this looks set to continue.

But consumer confidence has remained fragile and may even have deteriorated in the past few months. Metro, Germany's biggest retailer, reported disappointing trade in November and December, and said profits in 1997 would be 25 per cent below last year.

This pattern is likely to continue into the new year. Unemployment, which is at historically high levels and is the chief reason for consumers' dismal outlook, is expected to fall only slowly. Economists are worried that the tax and pension reforms necessary to stimulate growth have now been put on hold until after the election in the autumn.

WestLB forecasts that the German share market will rise again in 1998 but by less than in 1997. It predicts that





the DAX index of 30 top blue-chip company stocks will stand at about 4,300 by the end of next year.

More immediately, with little economic and corporate news expected this week, the market may continue to speculate on possible consolidation among German banks. There were rumours last week that Deutsche Bank, Germany's biggest bank, was preparing to take over Commerzbank, which caused heavy trading in the banks' shares.

TOKYO By Paul Abrahams

Japanese markets are closed from tomorrow. Stock market turnover is likely to be light, with most foreign brokers on holiday.

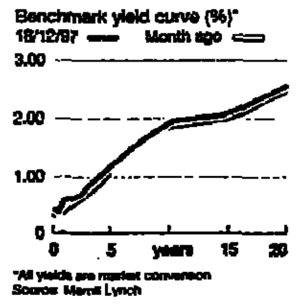
Nevertheless, investors will be watching the Nikkei 225 Average closely after last Friday's 3.25 per cent fall to 14,800, despite government measures aimed at boosting the economy. Most big banks and life assurance companies have losses on their equity portfolios.

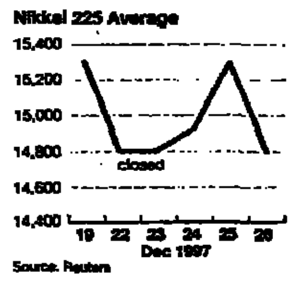
The banking sector has been particularly weak during December on fears about its financial weakness. Japanese banks have been hit by increasing levels of bad debts and bankruptcies caused by tighter lending criteria and the higher cost of capital in the domestic and international markets.

It will be interesting to see how the markets react to the government's decision last week to delay new rules defining bad debts for banks without international operations.

The market could be buoyed in two ways. It could reduce pressure on the banks to tighten credit – reducing the risk of more bankruptcies – and it could lessen the need for banks to sell equities to cover losses on their holdings.

But investors might be unnerved by the





prolongation of uncertainty about the size of the banks' bad debts. The promise of an additional Y20,000bn ($153bn) to support the banking sector might help sentiment but the bond market could weaken on concern over how the funds would be raised.

The recovery of the Korean won against the US dollar last week could help the steel, shipbuilding and chemicals sectors which compete directly against the Koreans in Asia.

COMMODITIES By Gary Mead

Fear of oil price falls may be unfounded

There can be few oil traders who face 1998 with much enthusiasm, given that the big question concerning the final days of 1997 – whether Iraq will resume exporting oil – is still unanswered.

While Iraq has said in principle it will agree to an extension of the UN-brokered deal under which it has been allowed to export $2bn of oil every six months in exchange for food and medicine, the poker-game over terms has been inordinately protracted. But the final card may soon be on the table.

Robert Mabro, director of the Oxford Institute for Energy Studies, says: "Saddam Hussein has never liked the oil-for-food deal but he has come under enormous internal and external pressure to renew it and he has reluctantly accepted. I think he will continue to play the stop-start game for a while, but we may see something in mid-January."

The outlook for crude oil prices, once Iraqi exports do resume, is bearish but perhaps not as miserable as the more extreme pessimists believe. According to latest research by Goldman Sachs' analysts, whether the deal is $2bn or $4bn, oil prices may not be as greatly affected as some have suggested.

"If Iraq resumes exports soon and Saudi production stays at current levels, we could easily see the market trade down below $16. However, we would expect this to be quite temporary as we estimated that revenue-maximising production for the Saudis would be to pull output back to 8.4m b/d, which we expect would move prices back up into the $19 range within a few months," says Goldman Sachs.

It argues that, as Iraq's infrastructure was under severe strain under the $2bn export plan, it is perhaps unlikely that it would be able to take advantage of any increase in the level of UN-permitted exports.

And if everything does go sour and Iraq snubs a renewed UN deal, perhaps traders will have something to cheer in the new year. In such circumstances, Goldman Sachs anticipates prices moving swiftly back to a $20-$22 trading range.

CURRENCIES By Simon Kuper

S Korea may disturb end-of-year torpor

This is usually the week currency traders spend sleeping off Christmas and playing with their new Porsches. But this year the South Korean won could provide the market with some end-of-year excitement.

The won has jumped about in December as if on a pogo-stick. It began the month at about 1,200 against the dollar, already a dramatic low, and kept falling to almost 2,000 even though the International Monetary Fund arranged a $57bn bailout package for Korea on December 3. Then, on Christmas Eve, the won bounced to 1,500 on news that the IMF and various rich nations would provide $10bn of the package almost immediately, so that Korea could pay its short-term debts.

The won therefore enters this week with a chance of rising almost as sharply as it had fallen. Not only does Korea now have foreign currency; it is also at last making the right political noises. Kim Dae-jung, president-elect, appears to have followed the tactic of campaigning to the left and governing to the right: before the election he attacked the IMF, but now he is supporting all its strictures.

Furthermore, the dramatic fall in the won should boost the November trade balance, due out today. Korea is thought to have shot into trade surplus far sooner after devaluation than economic theories about J-curves would forecast. The country's foreign exchange reserves should benefit, further damping fears that Korea would default or at least announce a debt moratorium.

The major currencies are likely to be quiet this week. Thursday is a public holiday in the west, and only the most fanatical traders are expected to work on Friday.

US data returns to the limelight after weeks in which market turmoil seemed to rule out interest-rate rises. Many investors expect the Federal Reserve to tighten imminently. They will study existing home sales data for November today, December consumer confidence and November leading indicators tomorrow, and the December National Association of Purchasing Management survey on Friday. Japanese, German and UK data schedules are light this week.

OTHER MARKETS Compiled by Michael Morgan

HONG KONG

Shares are likely to continue drifting lower in the short term as concerns over the currency persist – partly a knock-on from the volatile South Korean won but also because speculators are expected to launch a fresh assault on what is Asia's last linked exchange rate of a fully convertible currency, *writes Louise Lucas.*

Goldman Sachs foresees "minimal upside" for the equity market in the first half of 1998 as the Asian currency crisis continues, interest rates rise a further 1 percentage point to help maintain the Hong Kong dollar's link to its US counterpart, and residential property prices fall 15–20 per cent.

Pressure is likely to be strongest on stocks sensitive to interest rates – the property and banking sectors. However, a downward revision in economic growth is set to hurt across the board, and retail stocks are already suffering from weaker consumer demand. Brokers are advising clients to stick with defensive sectors, especially the utilities, while China-related shares are also seen as likely to out-perform the main index.

ZURICH

The Swiss equity market, one of the developed world's best performers this year, may still have further to go. This year's advance has been built on a benign monetary and currency environment, together with some far-reaching corporate restructurings, most recently the planned merger of UBS and SBC, which pushed the stock market to an all-time closing high in the middle of December.

Credit Suisse First Boston forecasts that corporate restructuring, cost savings and rising earnings potential are likely to fuel further share-price increases. It says the Asian crisis is improving interest rate and inflation prospects, although an exacerbation of the turmoil could have negative repercussions for Swiss companies most affected by the turbulence and could put a temporary burden on the market. Nonetheless, it has set an SMI index target of 6,600 points by the end of 1998, up from just under 4,050 last week.

MADRID

The Spanish market finished the last week of trading before Christmas in an equivocal mood, losing nearly 1 per cent after a renewal of recurrent Asian jitters on Monday.

However, Spanish investors end the year optimistic about 1998, when further interest-rate cuts are expected to be on the agenda, if not immediately after the Christmas festivities.

Investors will be watching banking group Argentaria closely for news about its forthcoming privatisation. News last week that the group was possibly looking for a strategic shareholder to buy part of the state's residual 28 per cent stake were not welcomed. Investors are becoming increasingly impatient for another round of bank mergers in Spain, and Argentaria is viewed as one of the most likely targets.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT (UK)/ Zurich (Switzerland)	Merger	Financial services	$20bn	Terms modified
Merrill Lynch (US)	MAM (UK)	Financial services	$5bn	Unconditional
Richemont (Switz)	Vendome (UK)	Luxury goods	$1.7bn	Directors agree
Coca-Cola (US)	Orangina (France)	Soft drinks	$840m	Pernod Ricard sale
Homestake Mining (US)	Plutonic Mining (Australia)	Mining	$640m	Buy confirmed
Société Générale (France)	Hambros (UK)	Banking	$498m	Break-up begins
Thomson (UK)	Fritidsresor (Sweden)	Travel	$432m	Overseas debut
Flint Ink (US)	Manders (UK)	Chemicals	$166m	Europe foothold
Total (France)	Mydrin (UK)	Adhesives	$143m	BTR disposal
ABN Amro (N'lands)	Units of BZW (UK)	Banking	$120m	More disposals

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 26, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7932.27	4750.00	2679.98	3648.93
Albania	(Lek)	246.318	147.500	83.2205	113.309
Algeria	(Dinar)	96.9078	58.0302	32.7410	44.5788
Andorra	(French Fr)	9.9054	5.9315	3.3467	4.5568
	(Sp Peseta)	250.810	150.190	84.7406	115.376
Angola	(Readj Kwanza)	429391.1	257128.0	145073.3	197524.9
Antigua	(E Carib $)	4.5089	2.7000	1.5234	2.0741
Argentina	(Peso)	1.6690	0.9994	0.5639	0.7677
Armenia	(Dram)	834.759o	499.870	282.030	383.999
Aruba	(Florin)	2.9892	1.7900	1.0099	1.3751
Australia	(Aus $)	2.5437	1.5232	0.8594	1.1701
Austria	(Schilling)	20.8418	12.4805	7.0418	9.5875
Azerbaijan	(Manat)	6596.31o	3950.00	2228.62	3034.38
Azores	(Port Escudo)	302.679	181.250	102.265	139.236
Bahamas	(Bahama $)	1.6700	1	0.5642	0.7682
Bahrain	(Dinar)	0.6297	0.3771	0.2127	0.2896
Balearic Is	(Sp Peseta)	250.810	150.190	84.7406	115.376
Bangladesh	(Taka)	75.8993	45.4500	25.6439	34.9145
Barbados	(Barb $)	3.3588	2.0113	1.1348	1.5451
Belarus	(Rouble)	69138.0o	41400.0	23358.2	31803.3
Belgium	(Belg Fr)	61.1352	36.6090	20.6556	28.1229
Belize	(B $)	3.3399	2.0000	1.1284	1.5364
Benin	(CFA Fr)	990.540	593.150	334.669	455.656
Bermuda	(Bermudian $)	1.6700	1	0.5642	0.7682
Bhutan	(Ngultrum)	65.3744	39.1475	22.0879	30.0730
Bolivia	(Boliviano)	8.9343	5.3500	3.0185	4.1099
Botswana	(Pula)	6.3484	3.8016	2.1449	2.9203
Brazil	(Real)	1.8616	1.1148	0.6290	0.8563
Brunei	(Brunei $)	2.7913	1.6715	0.9431	1.2840
Bulgaria	(Lev)	2944.96	1763.50	994.979	1354.71
Burkina Faso	(CFA Fr)	990.540	593.150	334.669	455.656
Burma	(Kyat)	10.4400	6.2517	3.5273	4.8025
Burundi	(Burundi Fr)	675.696	404.620	228.289	310.828
Cambodia	(Riel)	5814.77	3482.00	1964.57	2674.86
Cameroon	(CFA Fr)	990.540	593.150	334.669	455.656
Canada	(Canadian $)	2.3968	1.4353	0.8098	1.1026
Canary Is	(Sp Peseta)	250.810	150.190	84.7406	115.376
Cp. Verde	(CV Escudo)	159.183	95.3100	53.7745	73.2166
Cayman Is	(CI $)	1.3831	0.8282	0.4673	0.6362
Cent. Afr. Rep	(CFA Fr)	990.540	593.150	334.669	455.656
Chad	(CFA Fr)	990.540	593.150	334.669	455.656
Chile	(Chilean Peso)	732.941	438.900	247.637	337.162
China	(Yuan)	13.8280	8.2793	4.6714	6.3601
Colombia	(Col Peso)	2150.85	1287.85	726.634	989.322
Comoros	(Fr)	744.464	445.800	251.523	342.462
Congo	(CFA Fr)	990.540	593.150	334.669	455.656
Congo (DemRep)	(Zaire)(2)	229618.2	137500.0	77578.4	105627.0
Costa Rica	(Colon)	405.864	243.050	137.469	187.171
Côte d'Ivoire	(CFA Fr)	990.540	593.150	334.669	455.656
Croatia	(Kuna)	10.4114	6.2346	3.5177	4.7894
Cuba	(Cuban Peso)(1)	38.4089	23.0000	12.9768	17.6685
Cyprus	(Cyprus £)	0.8688	0.5202	0.2935	0.3996
Czech Rep.	(Koruna)	57.1774	34.2390	19.3184	26.3028
Denmark	(Danish Krone)	11.2780	6.7535	3.8105	5.1880
Djibouti Rep	(Djib Fr)	296.784	177.720	100.271	136.524
Dominica	(E Carib $)	4.5089	2.7000	1.5234	2.0741
Dominican Rep	(D Peso)	24.5817	14.7200	8.3051	11.3079
Ecuador	(Sucre)	7420.43o	4443.50	2507.05	3413.48
	(Sucre)	7397.88a	4430.00	2499.44	3403.11
Egypt	(Egyptian £)	5.6845	3.4040	1.9206	2.6149
El Salvador	(Colon)	14.6204	8.7550	4.9396	6.7258
Equat'l Guinea	(CFA Fr)	990.540	593.150	334.669	455.656
Estonia	(Kroon)	23.6786	14.1790	7.9995	10.8915
Ethiopia	(Ethiopian Birr)	11.1855	6.6980	3.7791	5.1454
Falkland Is	(Falk £)	1	0.5988	0.3379	0.4600
Faroe Is	(Danish Krone)	11.2780	6.7535	3.8105	5.1880
Fiji Is	(Fiji $)	2.5791	1.5444	0.8714	1.1864
Finland	(Markka)	8.9678	5.3700	3.0299	4.1252
France	(Fr)	9.9054	5.9315	3.3467	4.5568
Fr. Cty/Africa	(CFA Fr)	990.540	593.150	334.669	455.656
Fr. Guiana	(Local Fr)	9.9054	5.9315	3.3467	4.5568
Fr. Pacific Is	(CFP Fr)	180.476	108.073	60.9754	83.0212
Gabon	(CFA Fr)	990.540	593.150	334.669	455.656
Gambia	(Dalasi)	16.8154	10.0694	5.6812	7.7353
Germany	(D-Mark)	2.9598	1.7724	1	1.3615
Ghana	(Cedi)	3754.89	2248.50	1268.65	1727.29
Gibraltar	(Gib £)	1	0.5988	0.3379	0.4600
Greece	(Drachma)	466.818	279.540	157.723	214.742
Greenland	(Danish Krone)	11.2780	6.7535	3.8105	5.1880
Grenada	(E Carib $)	4.5089	2.7000	1.5234	2.0741
Guadeloupe	(French Fr)	9.9054	5.9315	3.3467	4.5568
Guam	(US $)	1.6700	1	0.5642	0.7682
Guatemala	(Quetzal)	10.3479	6.1965	3.4961	4.7601
Guinea	(Fr)	1896.23	1135.50	640.657	872.287
Guinea-Bissau	(CFA Fr)(3)	990.540	593.150	334.669	455.656
Guyana	(Guyanese $)	238.469	142.800	80.5687	109.699
Haiti	(Gourde)	27.9992	16.7665	9.4596	12.8800
Honduras	(Lempira)	22.0434	13.2000	7.4475	10.1402
Hong Kong	(HK $)	12.9405	7.7490	4.3722	5.9528
Hungary	(Forint)	337.631	202.180	114.075	155.314
Iceland	(Icelandic Krona)	119.689	71.6600	40.4322	55.0490
India	(Indian Rupee)	65.3744	39.1475	22.0879	30.0730
Indonesia	(Rupiah)	8850.75	5300.00	2990.38	4071.44
Iran	(Rial)	5009.85u	3000.00	1692.62	2304.59
Iraq	(Iraqi Dinar)	0.5192o	0.3109	0.1754	0.2388
Iraq	(Iraqi Dinar)	2003.94m	1200.00	677.046	921.836
Irish Rep	(Punt)	1.1561	0.6923	0.3906	0.5318
Israel	(Shekel)	5.9075	3.5375	1.9959	2.7175
Italy	(Lira)	2903.21	1738.50	980.901	1335.51
Jamaica	(Jamaican $)	58.0308	34.7500	19.6062	26.6948
Japan	(Yen)	217.388	130.175	73.4477	100
Jordan	(Jordanian Dinar)	1.1823	0.7080	0.3995	0.5439
Kazakhstan	(Tenge)	126.683	75.8600	42.8007	58.2754
Kenya	(Kenya Shilling)	104.789	62.7500	35.4050	48.2043
Kiribati	(Australian $)	2.5437	1.5232	0.8594	1.1701
Korea North	(Won)	3.6739	2.2000	1.2413	1.6900
Korea South	(Won)	2509.94	1503.00	848.027	1154.60
Kuwait	(Kuwaiti Dinar)	0.5088	0.3047	0.1719	0.2340
Laos	(New Kip)	1900.40	1138.00	642.067	874.208
Latvia	(Lats)	0.9787	0.5861	0.3307	0.4502
Lebanon	(Lebanese £)	2550.43	1527.25	861.709	1173.23
Lesotho	(Maluti)	8.1151	4.8595	2.7418	3.7331
Liberia	(Liberian $)	1.6700	1	0.5642	0.7682
Libya	(Libyan Dinar)	0.6404	0.3835	0.2164	0.2946
Liechtenstein	(Swiss Fr)	2.3950	1.4342	0.8092	1.1017
Lithuania	(Litas)	6.6798	4.0000	2.2569	3.0728
Luxembourg	(Lux Fr)	61.1352	36.6090	20.6556	28.1229
Macao	(Pataca)	13.3683	8.0052	4.5165	6.1496
Macedonia	(Denar)	91.6933	54.9078	30.9794	42.1800
Madagascar	(MG Fr)	8349.75	5000.00	2821.03	3840.98
Madeira	(Port Escudo)	302.679	181.250	102.265	139.236
Malawi	(Kwacha)	32.1549	19.2550	10.8638	14.7918
Malaysia	(Ringgit)	6.4214	3.8453	2.1696	2.9539
Maldive Is	(Rufiya)	19.6553	11.7700	6.6407	9.0417
Mali Rep	(CFA Fr)	990.540	593.150	334.669	455.656
Malta	(Maltese Lira)	0.6517	0.3903	0.2202	0.2998
Martinique	(Local Fr)	9.9054	5.9315	3.3467	4.5568
Mauritania	(Ouguiya)	277.504	166.175	93.7597	127.655
Mauritius	(Maur Rupee)	36.9143	22.1050	12.4721	16.9810
Mexico	(Mexican Peso)	13.6009	8.1445	4.5953	6.2566
Moldova	(Leu)	7.8154	4.6800	2.6405	3.5952
Monaco	(French Fr)	9.9054	5.9315	3.3467	4.5568
Mongolia	(Tugrik)	1310.51	784.780	442.767	602.860
Montserrat	(E Carib $)	4.5089	2.7000	1.5234	2.0741
Morocco	(Dirham)	16.0733	9.6250	5.4305	7.3939
Mozambique	(Metical)	19196.1	11495.0	6485.56	8830.42
Namibia	(S A Rand)	8.1151	4.8595	2.7418	3.7331
Nauru Is	(Australian $)	2.5437	1.5232	0.8594	1.1701
Nepal	(Nepalese Rupee)	95.1037	56.9500	32.1316	43.7488
Netherlands	(Guilder)	3.3353	1.9973	1.1269	1.5343
N'nd Antilles	(A/Guilder)	2.9892	1.7900	1.0099	1.3751
New Zealand	(NZ $)	2.8620	1.7138	0.9670	1.3165
Nicaragua	(Gold Cordoba)	16.6230	9.9542	5.6162	7.6468
Niger Rep	(CFA Fr)	990.540	593.150	334.669	455.656
Nigeria	(Naira)	36.5486o	21.8860	12.3482	16.8128
	(Naira)	125.079m	74.9000	42.2603	57.5379
Norway	(Nor. Krone)	12.1738	7.2898	4.1131	5.6000
Oman	(Rial Omani)	0.6429	0.3850	0.2172	0.2957
Pakistan	(Pak. Rupee)(4)	73.4876	44.0060	24.8292	33.8053
Panama	(Balboa)	1.6700	1	0.5642	0.7682
Papua New Guinea	(Kina)	2.8842	1.7271	0.9745	1.3268
Paraguay	(Guarani)	3673.89	2200.00	1241.25	1690.03
Peru	(New Sol)	4.5423	2.7200	1.5347	2.0895
Philippines	(Peso)	66.7145	39.9500	22.5407	30.6895
Pitcairn Is	(£ Sterling)	1	0.5988	0.3379	0.4600
	(NZ $)	2.8620	1.7138	0.9670	1.3165
Poland	(Zloty)	5.8398	3.4970	1.9731	2.6864
Portugal	(Escudo)	302.679	181.250	102.265	139.236
Puerto Rico	(US $)	1.6700	1	0.5642	0.7682
Qatar	(Riyal)	6.0803	3.6410	2.0543	2.7970
Reunion Is. de la	(F/Fr)	9.9054	5.9315	3.3467	4.5568
Romania	(Leu)	13351.3	7995.00	4510.96	6141.73
Russia	(Rouble)	9978.79m	5975.50	3371.51	4590.36
Rwanda	(Fr)	578.623	346.491	195.493	266.173
St Christopher	(E Carib $)	4.5089	2.7000	1.5234	2.0741
St Helena	(£)	1	0.5988	0.3379	0.4600
St Lucia	(E Carib $)	4.5089	2.7000	1.5234	2.0741
St Pierre & Miquelon	(F/Fr)	9.9054	5.9315	3.3467	4.5568
St Vincent	(E Carib $)	4.5089	2.7000	1.5234	2.0741
San Marino	(Italian Lira)	2903.21	1738.50	980.901	1335.51
Sao Tome	(Dobra)	3991.18	2390.00	1348.45	1835.99
Saudi Arabia	(Riyal)	6.2636	3.7509	2.1163	2.8814
Senegal	(CFA Fr)	990.540	593.150	334.669	455.656
Seychelles	(Rupee)	109.156	61.7650	34.8805	47.5636
Sierra Leone	(Leone)	1502.96	900.000	507.788	691.377
Singapore	($)	2.7913	1.6715	0.9431	1.2840
Slovakia	(Koruna)	57.6935	34.5480	19.4928	26.5397
Slovenia	(Tolar)	280.197	167.788	94.6695	128.894
Solomon Is	($)	7.8445	4.6974	2.6503	3.6086
Somali Rep	(Shilling)	4375.27	2620.00	1478.22	2012.68
South Africa	(Rand)	8.1151	4.8595	2.7418	3.7331
Spain	(Peseta)	250.810	150.190	84.7406	115.376
Spanish Ports in N Africa	(Sp Peseta)	250.810	150.190	84.7406	115.376
Sri Lanka	(Rupee)	103.170	61.7800	34.8577	47.4582
Sudan Rep	(Dinar)	269.346	161.290	91.0009	123.902
Surinam	(Guilder)	669.650	401.000	226.247	308.047
Swaziland	(Lilangeni)	8.1151	4.8595	2.7418	3.7331
Sweden	(Krona)	12.9582	7.7596	4.3781	5.9609
Switzerland	(Fr)	2.3950	1.4342	0.8092	1.1017
Syria	(£)	69.0525	41.3500	23.3300	31.7649
Taiwan	($)	54.5498	32.6655	18.4308	25.0935
Tanzania	(Shilling)	1032.95	618.550	348.990	475.166
Thailand	(Baht)	78.9887	47.3000	26.6877	36.3357
Togo Rep	(CFA Fr)	990.540	593.150	334.669	455.656
Tonga Is	(Pa'anga)	2.5437	1.5232	0.8594	1.1701
Trinidad/Tobago	($)	10.3537	6.2000	3.4981	4.7628
Tunisia	(Dinar)	1.8971	1.1360	0.6410	0.8727
Turkey	(Lira)	342172.8	204900.0	115609.2	157403.5
Turks & Caicos	(US $)	1.6700	1	0.5642	0.7682
Tuvalu	(Australian $)	2.5437	1.5232	0.8594	1.1701
Uganda	(New Shilling)	1878.69	1125.00	634.733	864.221
Ukraine	(Hryvna)	3.1612	1.8930	1.0680	1.4542
U A E	(Dirham)	6.1336	3.6729	2.0723	2.8215
United Kingdom	(£)	1	0.5988	0.3379	0.4600
United States	(US $)	1.6700	1	0.5642	0.7682
Uruguay	(Peso Uruguayo)	16.6745	9.9850	5.6336	7.6705
Vanuatu	(Vatu)	205.429	123.015	69.4078	94.4997
Vatican	(Lira)	2903.21	1738.50	980.901	1335.51
Venezuela	(Bolivar)	840.411v	503.255	283.948	386.599
Vietnam	(Dong)	20527.0	12292.0	6935.23	9442.67
Virgin Is-British	(US $)	1.6700	1	0.5642	0.7682
Virgin Is-US	(US $)	1.6700	1	0.5642	0.7682
Western Samoa	(Tala)	4.6041	2.7570	1.5555	2.1179
Yemen (Rep of)	(Rial)	207.074r	124.000	69.9616	95.2564
Yugoslavia	(New Dinar)	9.7874	5.8609	3.3068	4.5023
Zambia	(Kwacha)	2384.86	1428.00	805.710	1096.98
Zimbabwe	($)	30.9777	18.5500	10.4663	14.2500
ECU	(ECU)	1.4989	0.8983	0.5067	0.6896
SDR	(SDR)	1.26098	0.737778	0.416400	0.567086

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97: FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times. FT Cityline apologises for the recent suspension in service. We are now pleased to inform users that the service is once again fully operational.
Friday, December 26, 1997

MARKETS: This Week

EMERGING MARKETS By Jonathan Ford

Caution reigns after crisis

After the recent turmoil, it is hardly surprising investors should end the year more cautious about the outlook for emerging markets than they were 12 months ago.

What seemed like a containable regional problem in July, when Thailand devalued its currency, has caused the biggest crisis of confidence in the sector since the Mexican peso shock at the end of 1994.

Sharp and unexpected reductions in liquidity around the world made have investors wary of countries that rely heavily on foreign capital inflows. This, by definition, includes *most, if not* all, emerging economies.

How quickly and how evenly the sector will recover its poise is consequently the theme of most analysts in their forecasts for next year.

Most stress the extent to which Asia's crisis has shown the divergent, rather than convergent, nature of emerging economies.

UBS, for instance, distinguishes between sturdy economies suffering from "general asset class angst" and those – mostly Asian – suffering from longer-term and more deep-seated problems. Consequently, reading the economic runes for next year is seen as more important than stock-picking.

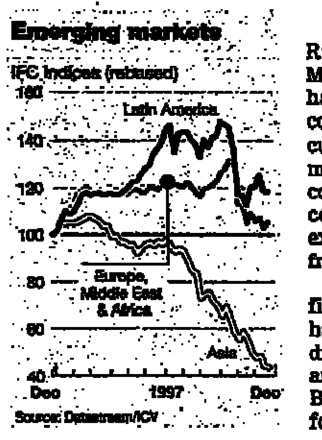
"The lesson of 1997 is that emerging markets are driven by economics, pure and simple," says Matthew Merritt, global emerging markets analyst at ING Barings.

Mr Merritt argues that the debt markets will be the most important leading indicator of equity market performance in 1998.

"The first sign of better times ahead will come in the debt markets," he says. "These are the most sensitive barometers of political

Emerging markets

IFC indices (rebased)



Source: Datastream/ICV

and economic developments."

In Asia, the signals coming from the fixed income markets are almost uniformly negative. Rating agencies continue to downgrade regional sovereign and corporate debt, and investors fear the real prospect of defaults and moratoriums in countries such as Korea and Indonesia.

Uncertainty also surrounds the future of the Japanese economy, seen as crucial to the health of the Asian region. As the year draws to a close, the growing perception is that the government's latest rescue package, announced two weeks ago, is yet more work in progress rather than the finished article.

Although analysts believe the question when to buy back into Asia is perhaps the important one for next year, they argue that it is still too early for an answer.

"At the moment we have no idea of the damage that will be done and we do not know how long interest rates will be kept high to defend currencies," says Charles Brock at Foreign & Colonial.

Mr Merritt observes that it is not possible to identify a sustainable earnings base for corporates in Asia. "We are still going through the phase of downgrades," he says.

Elsewhere, in the more sturdy world, analysts believe the principal markets to watch will be Russia and Brazil, both large economies that were hit heavily when the Asian problems arose in October.

"The issues for Brazil and Russia are two-fold," says Mr Merritt. "On the one hand, they face economic contagion from Asia because currency devaluations have made Asian exports more competitive. Around 40 per cent of Latin American exports compete with those from Asia.

"The other problem is financial contagion, which happened because investors drew parallels between Asia and these countries. In both Brazil and Russia, this forced policy responses where interest rates were raised and fiscal policy tightened – *measures that are* clearly going to have negative implications for economic growth next year."

In both cases, the debt markets show that investors remain extremely wary about the outlook.

Another factor in the performance of emerging markets next year is the impact of Asia's problems on the world's developed economies. Latin American growth, for example, is clearly linked to the health of the US economy.

In recent weeks, a string of large US companies have reported falling earnings as a result of their Asian exposure. The economic consequences of this can still only be guessed at, but ING Barings has shaved its US GDP growth forecast by 0.8 percentage points next year to account for the Asian effect.

"Latin America can do well next year so long as the US holds up," says Mr Merritt. "The same is true for emerging Europe as regards the developed European economies. These seem to have been less affected than the US but there is still likely to be an impact."

One of this year's lessons has been that, despite rising investor sophistication, there is still a tendency to treat emerging markets as a single asset class in times of uncertainty. The extent to which this trend is likely to be reversed will become apparent in the first quarter of 1998, as investors make their initial fund allocations for the year.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Dec 24th 1997	% Change over week	% Change on Dec '96
Latin America	(270)	638.00	–3.1	+18.6
Argentina	(32)	1,044.01	–3.3	+9.8
Brazil	(75)	451.01	–2.4	+13.8
Chile	(50)	614.60	–3.8	–0.9
Colombia[1]	(15)	822.50	–1.5	+29.9
Mexico	(62)	738.16	–3.9	+39.0
Peru[2]	(24)	218.06	+0.6	+10.8
Venezuela[3]	(12)	872.63	–1.9	+19.9
Asia	(758)	104.40	–4.3	–58.7
China[4]	(43)	52.75	–6.8	–28.4
South Korea[5]	(184)	20.72	–33.4	–73.2
Philippines	(49)	111.81	+1.6	–61.9
Taiwan, China[6]	(98)	139.74	–4.2	–8.8
India[7]	(72)	82.08	+3.9	+4.2
Indonesia[8]	(61)	31.94	+4.8	–75.0
Malaysia	(157)	88.03	–3.6	–73.9
Pakistan[9]	(24)	241.74	+1.2	+23.5
Sri Lanka[10]	(5)	114.00	–0.2	+19.9
Thailand	(65)	47.14	–4.0	–78.7
Euro/Mid East	(396)	141.82	–0.9	+5.6
Czech Rep	(6)	55.27	+1.3	–21.2
Egypt	(28)	91.78	+0.1	–
Greece	(54)	327.09	–2.8	+35.0
Hungary[11]	(13)	295.94	+0.3	+50.4
Israel	(46)	115.47	–2.3	+15.5
Jordan	(6)	208.92	–1.3	+11.9
Morocco	(11)	131.37	–0.3	–
Poland[12]	(29)	556.36	–3.8	–24.0
Portugal	(23)	209.67	+0.6	+43.5
Russia	(30)	135.95	–2.3	–
Slovakia	(5)	100.16	+4.2	–
South Africa[13]	(77)	177.23	–1.6	–15.0
Turkey[14]	(58)	278.82	+3.4	+87.5
Zimbabwe[15]	(10)	232.63	–6.7	–50.9
Composite	(1,424)	234.83	–2.6	–20.4

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

INTERNATIONAL BONDS

Promise of recovery after Asian turmoil

Although the dust has refused to settle on the banking crisis in Asia, it is possible to discern the outlines of a recovery in the international bond markets.

Yield spreads on many Asian bonds have hit record levels in the last two weeks, with issues from countries such as Korea widening out to more than 1,000 basis *points over Treasuries.*

Similarly – although to a lesser extent – non-Asian emerging market borrowers have seen spreads widen by 50 to 150 per cent since the crisis hit the global markets in late October.

In spite of this there are signs the bond markets will return steadily to form in the first quarter of 1998.

"What a lot of people have overlooked is that the Asian crisis is ultimately good for bonds because it will have a disinflationary impact on the world economy," said Paul Richards, at Merrill Lynch in London. "Interest rates are likely to remain low, which will help stimulate primary activity in the bond markets."

Syndicate officials identify several broad trends in favour of a lively issuance market in 1998 – although most warn that the first few weeks are likely to be quiescent owing to uncertainty about events in Japan and South Korea.

First, interest rates in the US are likely to remain low for the next couple of quarters at least. Alan Greenspan, chairman of the US Federal Reserve, has pointedly referred to the disinflationary impact of the turmoil in east Asia.

The continuation of low short-term interest rates in the US should keep the Treasury yield curve flat, with the long-bond remaining at or below 6 per cent. Investors will therefore maintain low cash positions and will resume the epic hunt for yield that was so abruptly halted by the Asian crisis in the fourth quarter.

By the same token, borrowers will take advantage of low borrowing costs to resume funding programmes.

"With corporate expansion picking up in Europe and continuing in the US, funding programmes are if anything likely to be stepped up in 1998," said a syndicate head at a US investment bank in London.

Bankers also point out that when the issuance market does recover, it is likely to do so with a bang.

"A lot of borrowers had to postpone offerings because of the turmoil, so there is a large volume of pent-up supply out there waiting for the right moment," said one.

When they come, primary offerings are likely to be met with robust investor demand. The level of retail-bond redemptions in the eurobond market is high in December and January, so plenty of Swiss and Belgian retail buyers will be hoping to recycle their investments.

Second, restructuring in the European corporate sector is likely to gather pace. Many US investment banks have placed high stakes on the emergence of a high-yield corporate market in Europe. Although the market remains tiny – with less than $2bn in junk bond issuance to date – analysts are confident credit plays are the wave of the future.

"It may take a few years to reach the depth and liquidity of the high-yield market in the US, but Europe will take off over the next 18 months," said one syndicate head.

Bond analysts also expect the investment grade corporate sector in Europe to become more mainstream over the next 12 months. Triple A-rated credits such as Nestlé, the Swiss multinational, and Abbey National, the UK bank, have long been stalwarts of the market. With an escalation of cross-border merger and acquisition expected in the countdown to European monetary union, single-A and triple-B borrowers are expected to become more prolific.

In addition, many regular domestic borrowers, such as German pfandbrief issuers and Dutch banks, are expected to accelerate the internationalisation of their debt profiles to establish a broad European investor base in advance of European monetary union.

This should also motivate municipalities across the single currency zone. "We are expecting an explosion of European bank and local government borrowing before 1999. After all, these entities will no longer have a domestic bond market after Emu," one analyst said.

Third, supranational and multinational borrowers such as the World Bank and General Motors will spot opportunities to fill the gaps governments are vacating.

Public-sector deficits in continental Europe and in the Anglo-Saxon economies are in long-term retreat. The US and Australia have both reduced the frequency of public bond auctions to signal their reduced funding requirements. Large borrowers, such as the Federal National Mortgage Association, are planning jumbo bond issues that will act as "surrogates" for government yield curves.

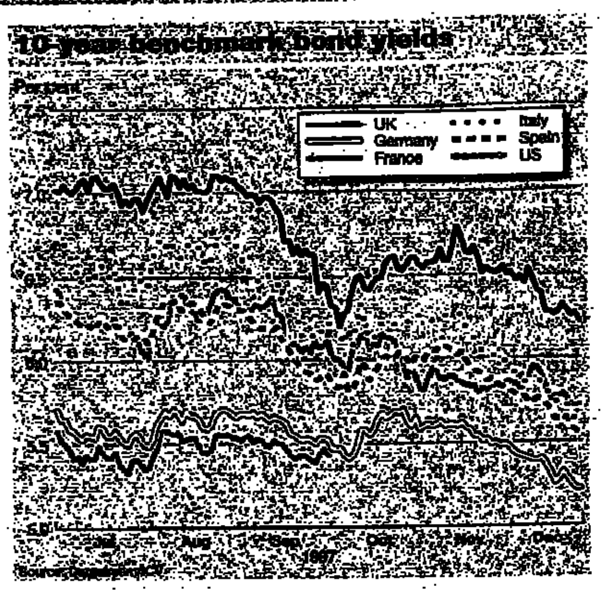
Last, and perhaps most counter-intuitively, Asian governments and corporations are likely for the first time to become mainstream borrowers in the international bond markets. With emergency International Monetary Fund programmes in place in South Korea, Indonesia and Thailand, Asian governments will need long-term capital to refinance short-term borrowings.

Many will be studying the debt management strategies of countries such as Mexico and Brazil, which have been through this mill before. "In 1998 we will see the Latin Americanisation of Asia's debt profile," said one syndicate head.

Meanwhile, Latin America and eastern Europe will no doubt resume 1997's hectic borrowing programmes once conditions allow in 1998. Larger sovereigns, such as Argentina and Brazil, are already seeking mandates for benchmark deals.

10-year benchmark bond yields

Per cent



Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA(1)	Japan	Germany	France	Italy	UK(2)
Discount	5.00	0.50	2.50	3.30	6.25	7.25
Overnight	n/a	n/a	3.12	3.37	6.06	n/a
Three month	5.33	0.38	3.62	3.50	5.72	7.46
One year	5.52	0.56	3.86	3.78	5.09	7.08
Five year	5.73	1.12	4.79	4.56	5.71	6.45
Ten year	5.75	1.84	5.23	5.23	5.55	6.20

(1) France intervention rate. (2) UK Base rate. Source: Reuters.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8418	+0.022	362 - 474	20.8808	20.8203	20.7784	3.7	20.8545	3.8	20.181	3.2	102.8
Belgium	(BFr)	61.1352	-0.0106	144 - 560	61.1990	61.0340	60.9434	3.8	60.5637	3.7	59.0849	3.4	102.1
Denmark	(DKr)	11.2780	+0.0018	746 - 814	11.3037	11.2740	11.244	3.6	11.1788	3.5	10.934	3.1	104.4
Finland	(FM)	8.9676	+0.0015	646 - 706	8.9840	8.9550	8.937	4.1	8.8906	3.9	8.6729	3.3	80.8
France	(FFr)	9.9054	+0.0001	997 - 110	9.9191	9.8948	9.8731	3.9	9.8122	3.8	9.5603	3.5	105.6
Germany	(DM)	2.9598	+0.0007	587 - 608	2.9720	2.9561	2.9503	3.8	2.932	3.8	2.8588	3.4	103.3
Greece	(Dr)	466.618	-0.019	665 - 971	468.862	466.406	470.594	-9.7	477.871	-9.5	505.389	-8.3	66.3
Ireland	(I£)	1.1561	+0.0006	551 - 570	1.1570	1.1531	1.1553	0.8	1.1519	1.4	1.129	2.3	95.7
Italy	(L)	2903.21	-2.73	194 - 448	2913.81	2901.94	2899.72	1.4	2891.06	1.7	2835.82	2.3	75.9
Luxembourg	(LFr)	61.1352	-0.0106	144 - 560	61.1990	61.0340	60.9434	3.8	60.5637	3.7	59.0849	3.4	102.1
Netherlands	(Fl)	3.3353	-0.0002	344 - 362	3.3444	3.3343	3.3237	4.2	3.3031	3.9	3.2198	3.5	101.4
Norway	(NKr)	12.1736	+0.0359	713 - 759	12.2025	12.1333	12.1339	3.9	12.0608	3.7	11.8072	3.0	97.9
Portugal	(Es)	302.679	-0.354	550 - 807	308.068	302.550	302.097	2.3	300.765	2.5	294.384	2.7	91.6
Spain	(Pta)	250.810	-0.022	706 - 914	251.050	250.460	250.28	2.5	249.152	2.6	243.683	2.8	76.8
Sweden	(SKr)	12.9582	-0.0076	520 - 643	12.9978	12.9467	12.9288	2.7	12.8721	2.7	12.6754	2.2	85.5
Switzerland	(SFr)	2.3950	+0.0029	938 - 962	2.3979	2.3918	2.3929	6.1	2.3602	5.8	2.2683	5.4	108.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.8
Ecu	-	1.4969	-0.0012	956 - 981	1.5002	1.4956	1.4929	3.2	1.4853	3.1	1.4538	2.9	-
SDR†	-	1.230984	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6690	-	687 - 692	1.6716	1.6674	-	-	-	-	-	-	-
Brazil	(R$)	1.8616	+0.0008	612 - 619	1.8636	1.8592	-	-	-	-	-	-	-
Canada	(C$)	2.3968	+0.0005	960 - 976	2.3985	2.3922	2.391	2.9	2.3811	2.6	2.3481	2.0	82.1
Mexico	(New Peso)	13.6009	-0.0247	947 - 071	13.6201	13.5942	13.7638	-14.4	14.0407	-12.9	15.2396	-12.0	-
USA	($)	1.6700	+0.0004	697 - 702	1.6722	1.6680	1.668	1.4	1.6632	1.6	1.645	1.5	108.4
Pacific/Middle East/Africa													
Australia	(A$)	2.5437	-0.0009	414 - 460	2.5476	2.5414	2.5384	2.5	2.5277	2.5	2.4876	2.2	85.2
Hong Kong	(HK$)	12.9405	+0.0019	377 - 432	12.9579	12.9262	12.9353	0.5	12.993	-1.6	13.4046	-3.6	-
India*	(Rs)	65.3744	-0.0426	395 - 092	65.6010	65.3395	-	-	-	-	-	-	-
Israel	(Shk)	5.9075	+0.0084	982 - 167	5.9167	5.8962	-	-	-	-	-	-	-
Japan	(Y)	217.388	+0.505	312 - 460	218.190	217.080	216.156	6.8	213.586	7.0	202.936	6.6	118.4
Malaysia	(M$)	6.4214	+0.0347	125 - 303	6.4800	6.3887	6.3995	4.1	6.3938	1.7	6.5145	-1.4	-
New Zealand	(NZ$)	2.8620	+0.0046	591 - 648	2.8669	2.8570	2.8649	-1.2	2.8704	-1.2	2.896	-0.8	102.3
Philippines	(Peso)	66.7145	+0.0139	375 - 915	68.3880	65.0485	68.2023	-26.8	69.2391	-15.1	78.3009	-17.4	-
Saudi Arabia	(SR)	6.2638	+0.0014	624 - 651	6.2718	6.2563	6.2561	1.5	6.2411	1.4	6.182	1.3	-
Singapore	(S$)	2.7913	+0.0072	884 - 942	2.7942	2.7839	2.7917	-0.2	2.7942	-0.4	2.809	-0.4	-
South Africa	(R)	8.1151	+0.0067	097 - 205	8.1259	8.1047	8.1729	-8.5	8.2686	-7.6	8.645	-6.5	-
South Korea	(Won)	2509.94	-548.8	455 - 532	3058.45	2491.28	-	-	-	-	-	-	-
Taiwan	(T$)	54.5498	+0.024	174 - 821	54.5821	54.4102	54.5026	1.0	54.3834	1.2	53.9183	1.2	-
Thailand	(Bt)	78.9887	+0.1	098 - 675	79.7880	75.5290	79.486	-7.6	79.975	-5.0	82.33	-4.2	-

† Rates for Dec 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.4905	+0.0106	790 - 820	12.4890	12.4670	12.4575	2.2	12.4185	2.0	12.2685	1.7	102.4
Belgium	(BFr)	36.6090	-0.014	020 - 160	36.6160	36.5800	36.538	2.3	36.414	2.1	35.919	1.9	102.1
Denmark	(DKr)	6.7535	-0.0003	525 - 545	6.7629	6.7490	6.7412	2.2	6.7212	1.9	6.647	1.6	103.9
Finland	(FM)	5.3700	-0.0002	690 - 710	5.3775	5.3594	5.3582	2.6	5.3395	2.3	5.2725	1.8	80.3
France	(FFr)	5.9315	-0.0013	290 - 340	5.9390	5.9250	5.9192	2.5	5.8985	2.2	5.8118	2.0	105.2
Germany	(DM)	1.7724	-	720 - 727	1.7765	1.7708	1.7689	2.4	1.7628	2.2	1.7378	2.0	103.0
Greece	(Dr)	279.540	-0.07	490 - 590	280.420	279.270	282.14	-11.2	287.32	-11.1	307.295	-9.9	65.3
Ireland	(I£)	1.4445	-0.0005	435 - 455	1.4463	1.4435	1.4436	0.7	1.4437	0.2	1.457	-0.9	-
Italy	(L)	1738.50	-2	800 - 900	1742.25	1738.00	1736.5	0.0	1738.25	0.1	1723.83	0.8	75.7
Luxembourg	(LFr)	36.6090	-0.014	020 - 160	36.6160	36.5800	36.538	2.3	36.414	2.1	35.919	1.9	102.1
Netherlands	(Fl)	1.9973	-0.0005	970 - 975	2.0007	1.9967	1.9928	2.7	1.9861	2.3	1.9573	2.0	101.4
Norway	(NKr)	7.2898	+0.02	895 - 901	7.3023	7.2646	7.2746	2.5	7.2515	2.1	7.1778	1.5	97.4
Portugal	(Es)	181.250	-0.25	200 - 300	181.500	181.200	181.119	0.9	180.835	0.9	178.95	1.3	92.2
Spain	(Pta)	150.190	-0.045	150 - 230	150.230	150.000	150.053	1.1	149.803	1.0	148.14	1.4	76.6
Sweden	(SKr)	7.7596	-0.0062	571 - 621	7.7673	7.7525	7.7513	1.3	7.7393	1.0	7.7056	0.7	85.4
Switzerland	(SFr)	1.4342	+0.0015	337 - 347	1.4360	1.4315	1.4287	4.6	1.4191	4.2	1.3778	3.9	108.5
UK	(£)	1.6700	+0.0004	697 - 702	1.6722	1.6680	1.668	1.4	1.6632	1.6	1.645	1.5	104.3
Ecu	-	1.1157	+0.0012	149 - 164	1.1164	1.1135	1.1173	-1.7	1.1199	-1.5	1.1315	-1.4	-
SDR†	-	0.73778	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0003	994 - 994	0.9994	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.1148	+0.0003	147 - 148	1.1148	1.1147	-	-	-	-	-	-	-
Canada	(C$)	1.4353	-	350 - 355	1.4355	1.4340	1.4336	1.5	1.4317	1.0	1.4276	0.5	82.2
Mexico	(New Peso)	8.1445	-0.0165	420 - 470	8.1500	8.1400	8.252	-15.6	8.442	-14.6	9.2645	-13.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.4
Pacific/Middle East/Africa													
Australia	(A$)	1.5232	-0.0008	221 - 244	1.5258	1.5221	1.5224	0.6	1.5198	0.9	1.5091	0.9	85.9
Hong Kong	(HK$)	7.7490	-0.0005	485 - 495	7.7495	7.7485	7.7552	-1.0	7.812	-3.3	8.149	-5.2	-
India	(Rs)	39.1475	-0.0338	325 - 625	39.2470	39.1210	-	-	-	-	-	-	-
Israel	(Shk)	3.5375	+0.0042	325 - 425	3.5425	3.5325	-	-	-	-	-	-	-
Japan	(Y)	130.175	+0.275	150 - 200	130.500	130.040	129.595	5.3	128.42	5.4	123.37	5.2	119.7
Malaysia	(M$)	3.8453	+0.02	405 - 500	3.8800	3.8300	3.8368	2.7	3.8443	0.1	3.9603	-3.0	-
New Zealand	(NZ$)	1.7138	+0.0024	123 - 153	1.7153	1.7123	1.7169	-2.2	1.7223	-2.0	1.7411	-1.6	-
Philippines	(Peso)	39.9500	-	500 - 500	41.0000	38.9000	40.89	-28.2	41.63	-16.8	47.6	-19.1	-
Saudi Arabia	(SR)	3.7509	-	506 - 511	3.7511	3.7506	3.7509	0.0	3.7525	-0.2	3.7582	-0.2	-
Singapore	(S$)	1.6715	+0.004	700 - 730	1.6730	1.6695	1.6738	-1.6	1.68	-2.0	1.704	-1.9	-
South Africa	(R)	4.8595	+0.003	570 - 620	4.8625	4.8570	4.9	-10.0	4.9715	-9.2	5.2555	-8.1	-
South Korea	(Won)	1603.00	-339	000 - 600	1540.00	1490.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6655	+0.0075	510 - 800	32.6800	32.5900	32.6765	-0.4	32.698	-0.4	32.778	-0.3	-
Thailand	(Bt)	47.3000	+0.05	000 - 000	47.8500	45.2000	47.655	-9.0	48.085	-5.6	50.05	-5.8	-

† SDR rate per $ for Dec 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 23: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	6	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.17
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	1	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	6	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.17	5.39	5.50	5.65	-	-	-
week ago	-	5.17	5.29	5.40	5.55	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3 1/2 - 3 3/8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3 3/8 - 3 1/8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	3 5/8 - 3 1/2	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	5 1/16 - 5	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 1/2 - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	1 7/8 - 1 3/8	1 1/2 - 1 1/4	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	5 1/8 - 5	[illegible]
US Dollar	5 1/2 - 5 1/8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	6 1/8 - 5 7/8	[illegible] - 6	6 - [illegible]	[illegible]	[illegible]	[illegible] - 5
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	5 1/2 - 5	7 - 6 1/2	7 - 6 1/2	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.20	94.22	+0.03	94.22	94.19	18,302	481,964
Jun	94.19	94.19	-0.02	94.20	94.19	11,345	336,123
Sep	94.14	94.15	-0.05	94.15	94.13	7,147	262,081

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.93	94.97	-	94.99	94.93	308	7,977
Jun	94.86	94.92	+0.01	94.95	94.89	82	1,258
Sep	-	94.90	+0.05	94.90	94.85	10	23

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.20	4.841	1.891	4749	5.456	19.91	495.1	410.3	21.20	3.918	1.636	3.921	2.732	355.6	2.448
Denmark	(DKr)	54.21	10	8.783	2.624	1.025	2574	2.957	10.79	268.4	222.4	11.49	2.124	0.887	2.125	1.481	192.8	1.327
France	(FFr)	61.72	11.39	10	2.988	1.167	2931	3.367	12.29	305.6	253.2	13.08	2.418	1.010	2.420	1.686	219.5	1.511
Germany	(DM)	20.66	3.810	3.347	1	0.391	980.9	1.127	4.113	102.3	84.74	4.378	0.809	0.338	0.810	0.564	73.45	0.506
Ireland	(I£)	52.88	9.755	8.568	2.560	1	2511	2.885	10.53	261.8	216.9	11.21	2.072	0.865	2.073	1.445	188.0	1.295
Italy	(L)	2.106	0.388	0.341	0.102	0.040	100	0.115	0.419	10.43	8.639	0.446	0.083	0.034	0.083	0.058	7.488	0.052
Netherlands	(Fl)	18.33	3.381	2.970	0.887	0.347	870.4	1	3.650	90.75	75.20	3.885	0.718	0.300	0.719	0.501	65.18	0.449
Norway	(NKr)	50.22	9.264	8.137	2.431	0.950	2385	2.740	10	248.6	206.0	10.64	1.967	0.821	1.969	1.372	178.6	1.230
Portugal	(Es)	20.20	3.726	3.273	0.978	0.382	959.2	1.102	4.022	100	82.86	4.281	0.791	0.330	0.792	0.552	71.82	0.495
Spain	(Pta)	24.38	4.497	3.949	1.180	0.461	1158	1.330	4.854	120.7	100	5.167	0.955	0.399	0.956	0.666	86.67	0.597
Sweden	(SKr)	47.18	8.703	7.644	2.284	0.892	2240	2.574	9.395	233.6	193.6	10	1.848	0.772	1.850	1.289	167.8	1.155
Switzerland	(SFr)	25.53	4.709	4.136	1.236	0.483	1212	1.393	5.083	126.4	104.7	5.410	1	0.418	1.001	0.697	90.76	0.625
UK	(£)	61.14	11.28	9.906	2.960	1.156	2903	3.336	12.17	302.7	250.8	12.96	2.395	1	2.397	1.670	217.4	1.497
Canada	(C$)	25.51	4.705	4.133	1.235	0.482	1211	1.392	5.079	126.3	104.6	5.406	0.999	0.417	1	0.697	90.70	0.624
USA	($)	36.61	6.754	5.932	1.772	0.692	1739	1.997	7.290	181.3	150.2	7.760	1.434	0.599	1.435	1	130.2	0.896
Japan	(Y)	28.12	5.188	4.557	1.362	0.532	1336	1.534	5.600	139.2	115.4	5.961	1.102	0.460	1.103	0.768	100	0.689
Ecu	-	40.84	7.535	6.618	1.977	0.772	1940	2.228	8.133	202.2	167.6	8.657	1.600	0.668	1.601	1.116	145.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5663	0.5665	-0.0004	0.5670	0.5658	7,530	66,053
Jun	0.5687	0.5693	-0.0004	0.5688	0.5682	17	4,412
Sep	-	0.5718	-0.0004	0.5705	-	7	140

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7035	0.7041	-0.0005	0.7050	0.7034	2,260	35,701
Jun	-	0.7111	-0.0005	0.7120	0.7110	1	1,441
Sep	-	0.7180	-0.0005	0.7180	-	6	110

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7769	0.7758	-0.0040	0.7778	0.7755	5,344	85,063
Jun	0.7885	0.7865	-0.0041	0.7885	0.7869	11	1,673
Sep	-	0.7971	-0.0042	0.8020	-	18	1,372

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6626	1.6724	+0.0098	1.6744	1.6626	1,538	30,329
Jun	1.6566	1.6658	+0.0096	1.6680	1.6565	2	1,315
Sep	-	1.6592	+0.0098	-	-	7	4

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.660	1.94	2.59	3.09	1.05	2.01	2.67
1.670	1.40	2.13	2.60	1.57	2.51	3.20
1.680	0.99	1.71	2.22	2.16	3.04	3.77

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.560	0.82	1.16	1.43	0.33	0.58	0.77
0.565	0.52	0.87	1.15	0.53	0.80	0.99
0.570	0.33	0.65	0.91	0.83	1.09	1.26

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

UK INTEREST RATES

LONDON MONEY RATES

Dec 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 3/4 - 6 1/2	7 1/2 - 6 7/8	7 1/2 - [illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible] - 7 1/2	[illegible] - 7 1/2	[illegible] - 7 1/2
Treasury Bills	-	-	7 1/4 - 7 1/8	[illegible]	-	-
Bank Bills	-	-	7 1/4 - 7 1/8	[illegible]	[illegible] - 7 1/4	-
Local authority deps.	[illegible] - 7	7 1/4 - 7 1/8	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7 1/8 - 7	[illegible]	-	-	-	-

UK clearing bank base lending rate 7 1/4 per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Dec 24, 7.0054pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate 7 1/2pc from Dec 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 24	Dec 19		Dec 24	Dec 19
Bills on offer	£100m	£100m	Top accepted rate	7.0393%	6.9992%
Total of applications	£269m	£607m	Ave. rate of discount	7.0054%	6.9821%
Total allocated	£100m	£100m	Average yield	7.1299%	7.1058%
Min. accepted bid	£98.245	£98.255	Offer at next tender	£100m	£100m
Allotment at min. level	56%	81%	Min. accept. bid 28 days	-	-

■ Pound in New York

Dec 26	—Close—	—Prev. close—
£ spot	1.6780	1.6870
1 mth	1.6760	1.6650
3 mth	1.6713	1.6603
1 yr	1.6530	1.6420

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

OTHER STATISTICS

STOCK INDICES

	Dec 24	Dec 23	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	5013.9	5049.8	5018.2	5020.2	5158.3	5330.8	4056.6	5330.8	986.9
FTSE 250	4698.1	4706.3	4701.8	4705.1	4735.8	4963.8	4386.2	4963.8	1379.4
FTSE 250 ex IT	4736.3	4744.2	4739.9	4742.7	4766.7	4985.8	4380.7	4985.8	1378.3
FTSE 350	2413.5	2428.3	2415.5	2416.6	2477.4	3546.4	2017.9	3546.40	664.5
FTSE SmallCap	2289.99	2291.33	2292.34	2295.05	2301.58	2406.20	2178.29	2406.20	1363.79
FTSE SmallCap ex IT	2293.78	2294.72	2296.69	2298.56	2299.69	2402.72	2139.02	2402.72	1363.79
FTSE All-Share	2358.07	2371.89	2360.10	2361.28	2417.28	2492.41	1969.78	2492.41	61.92
FTSE Fledgling	1250.11	1247.90	1248.20	1248.03	1252.91	1348.52	1223.48	1348.52	31.14
FTSE Eurotrack 100	2635.31	2639.16	2636.46	2639.58	2670.74	2794.88	1893.80	2794.88	900.45
FTSE Eurotrack 200	2652.59	2657.78	2656.43	2657.78	2694.85	2786.37	1947.11	2786.37	938.62

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
500	Nil	9/1	350pm	335pm	Bodycote Intl	342 1/2pm	
60	Nil	2/1	21pm	15 1/2pm	Taylor Nelson	20 1/2pm	

pm premium.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

RETAILERS, GENERAL

TEXTILES & APPAREL

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Anglo Am Ind R		£23¼	—	Q555c	◆	1,781	26.8	–
Barlow	♣	642½	-8.6	Q124c	◆	1,021	12.'96	–
Gold Flds Prop R		110¼	-9.0	Q85c	1.5	11.3	1.9	–
SA Brews	†	£14¾xd	-5.1	Q295c	–	4,297	1.12	4113
Standard Bank		£25½	-2.3	Q434c	–	3,166	25.8	–
Tiger Oats		811½	-1.1	Q154c	◆	1,226	8.12	–
Tongaat-Hulett		737xd	-1.5	Q142c	◆	716.6	8.12	–

TRADED INDEX SECURITIES

	Notes	Price	W'k% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRANS		[illegible]	—	–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Ryanair (Trns). Deletions: Caledonia Mining (Exln), Dwyer Estates (Prop), Eurodollar (Trns).**

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To order, call 0121 200 4678.

Reports published by ShareFinder.

FT Cityline

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

Scottish Value Management (Ireland) Ltd (z)

Custom Hse Plaza, Dublin 1 00 35316071800

Dragon Korea Fund Plc

NAV $1.195 - 66087

Dresdner Kleinwort Benson Int Mgt Srv

Al Maazan Commodity Fund Plc

NAV Dec 23 $100.75 - 47225

Singer & Friedlander Inv Funds Ltd (u)

21 New Street, Bishopsgate, EC2M 4HR 0171-626 6226

Eagle Star European Life Assurance Co Ltd

Edgehill Select Group

Egerton Capital European Fund Plc

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Professional Investment Consultants

Royal Life International

Royal Skandia Life Assurance Ltd (z)

Scottish Equitable International SA

Scottish Mutual International Plc

Scottish Provident Intl Life Ass Ltd

Scottish Widows International

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

AXA Asset Management

Aberdeen Asset Management Asia Limited

Ability Fund Limited

Acciones y Valores de Mexico SA de CV

Adelphi Europe Fund

Africa Emerging Markets Fund

Alliance Capital

Allied Dunbar International Fund Mngrs (1000)

Alpha Fund Management Ltd

Apex Bank & Trust Company

Arcadia Capital Advisors Ltd

Ardent Investment Management Limited

Arisaig Partners (BVI) Ltd

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)

Atlantic Investment Ltd

Atlantis Fund Management (Guernsey) Ltd

Aurum Funds

BAS-EX Currency Fund Plc

BEA Associates

Julius Baer Bank & Trust Co Ltd

Baring Bank of America

Bank of Nova Scotia Trust Co (Cayman) Ltd

Barclays Global Investors Hong Kong Ltd

Baring International Group

Barings (Ireland) Limited

Berkeley Capital Management Group Ltd

Bermuda Capital Company Ltd

Brunswick Capital Management (Cayman) Ltd

Butterfield Fund Managers (Cayman) Ltd

Cayman Global Capital Corporation

Cleaver Sullivan Investment Company Ltd

Clifton Investment Partners LP

The China Fund

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt & Secs Co Ltd

Credit Agricole/INDOCAM

Crosby Asset Management Ltd

Crystal Corporation B.V.

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Intl Capital Management (H.K.) Ltd

Dartmouth Capital Management (Cayman) Ltd

Deutsche Bank A.G.

Dragon Securities Ltd

Dresdner RCM Global Investors (UK) Ltd

The Emerging Markets Management Group

Edinburgh Fund Managers (Bermuda) Ltd

Egerton European Dollar Fund Ltd

Egerton European Equity Fund Ltd

Emerging Markets Investors Corp

Enigma Investments Ltd – Cayman

The Environmental Investment Co Ltd

Ermitage Group

Europe 1992

F.I. Founders Asset Management Ltd

Fairway International Ltd

Fidelity Advisor World Funds

First Investments Ltd

Fleming Leveraged Emerging Mkt Portfolio Ltd

Fortress Growth Fund Limited

Frank Russell Investments (Cayman) Ltd

GT Global

Gartmore Investment Ltd

Global Asset Management – Contd.

The Global Bond Investment Fund Ltd

Goldman Sachs

Group One International Ltd

Indosuez Asset Management Limited

The Indonesia Fund

Jardine Fleming Intl Mgt Inc

Jardine Fleming Unit Trusts Ltd

Jupiter Asset Management (Asia) Ltd

KD Offshore Fund, C.V.

Kleinwort Benson International Ltd

Lloyds Bank International

Lloyd George Management

Lloyds Investment Managers Services SA

MFPC Overseas Limited

Magnum Funds

Marathon Asset Management Ltd

Mercury Asset Management

Merrill Lynch Asset Management

Morgan Grenfell Asset Management

Montgomery Emerging Markets Fund

NatWest International Fund Managers

Nikko Capital Management

Orbitex Funds

ORIENT Growth Fd

Oriental Development Company Ltd

Pacific Charter Capital Mgmt Limited

Pakistan Fund

Panmure Gordon (Ireland) Limited

Perpetual Unit Trust Management

Prudential-Bache Asset Management

Rothschild Asset Management

Santander

Schroder Investment Management Ltd

Scudder, Stevens & Clark Inc

Secure Growth Fund Ltd (Bermuda)

Selective Assets Series Fund Limited

Sierra Fund Ltd

Sloane Robinson Investment Mgmt Ltd

Societe Generale Group

Scottish Asset Management Inc

Solar Capital Inc

The Southeast Asia Frontier Fund (SEAFF)

State Street Banque SA

Stratos Offshore Limited

Swiss Bank Corporation

Swiss Finance Global Funds

TS Group Managers Ltd

Taipei Fund

Tellurian Capital Inc

Templeton Global Advisors Ltd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Intl Fund Ltd

Thomas Currency Funds

Titan Capital Management

The Torrey Funds

Tradewinds Financial Corporation

Trafalgar Funds

Trans Global Funds Group

Trigon Fund Limited

Trigon Capital Finance SA

UBS Private Investor Funds

Ultra Dollar Fund Ltd

Ultra Fund Ltd

Ultra Income Fund

Unico Capital Management

Vanguard Investment

Vantage Fund Management

The Vietnam Frontier Fund

Wardley Investment Services Int'l Fd Ltd

Zurich Investment Management Ltd

Zweig-DiMenna International Limited

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 23 / Sch)

BELGIUM/LUXEMBOURG (Dec 24 / Frs.)

CZECH REP (Dec 23 / Korunа)

DENMARK (Dec 23 / Kr)

FINLAND (Dec 23 / Mkk)

FRANCE (Dec 26 / Frs.)

GERMANY (Dec 23 / Dm.)

GREECE (Dec 24 / Drachma)

ITALY (Dec 23 / Lire)

NETHERLANDS (Dec 24 / Fls.)

NORWAY (Dec 23 / Kroner)

POLAND (Dec 23 / Zloty)

PORTUGAL (Dec 23 / Escudo)

SPAIN (Dec 26 / Pts.)

SWEDEN (Dec 23 / Kronor)

SWITZERLAND (Dec 24 / Frs.)

TURKEY (Dec 26 / Tk Lira)

PACIFIC

JAPAN (Dec 26 / Yen)

AUSTRALIA (Dec 24 / Aust$)

HONG KONG (Dec 24 / H.K.$)

INDONESIA (Dec 24 / Rupiah)

MALAYSIA (Dec 26 / MYR)

NEW ZEALAND (Dec 24 / NZ $)

SINGAPORE (Dec 26 / S$)

SOUTH KOREA (Dec 26 / Won)

TAIWAN (Dec 26 / TW $)

THAILAND (Dec 26 / Baht)

		+/-	High	Low	Yld	P/E
AdvInF	280	-70	*382	132	2.6	—
BgkBkF	122	-1	300	99	2.5	—
BgkLdF	3	—	38	2.30	—	3.0
DSiamF	9.10	-.40	71	9.10	22.0	1.4
KrTh F	9.80	-.10	58	9.80	15.8	—
LndHsF	9.10	-.10	132.98	8.50	—	—
PhThaF	24	-1	83	19	11.7	8.4
SmCemF	328	+18	928	187	6.1	6.5
SiamCi	51	-7	143.10	51	15.7	—
SmCBkF	49.25xa	+1.75	187.75	47.25	14.2	2.4
TeleAs	8.70	-.20	55	8.50	—	15.0
ThFrmF	79.50	-13.50	192	78	7.5	5.5

AFRICA

SOUTH AFRICA (Dec 24 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 24 / Can $)

Closed Dec 26

Sales			+/-	High	Low
	AbitbC x	18.85		28.8	17.6
	AgnEag	8.25		20.25	6.2
	AirCda	14.35		15.4	5.9
	AlbtaE	27.9		35.5	26
	AlcnAl	38.4		55.7	37.1
	AndExp	13.85		20.25	12.85
	AtcoCl x	33		33.5	23.45
	Avenor	20.25		29.7	19.5
	BC Tel x	43.3		48.5	27.85
	BCE †	46.3		48.15	30.8
	BCE Mb	35.25		62	35
	BGR A	10.25		19.45	9.5
	BkMont	60.25		67.4	42.5

MONTREAL (Dec 24 / Can $)

Closed Dec 26

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 26 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY DECEMBER 25 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	196.70	-11.4	174.63	161.86	181.25	199.28	7.2	3.81	196.60	174.56	161.43	181.15	199.28	243.87	190.41	218.05
Austria (23)	186.69	-1.7	165.74	153.62	172.03	172.05	13.2	1.93	186.85	165.91	153.43	172.17	172.05	213.69	175.14	185.54
Belgium (26)	251.69	10.5	223.44	207.10	231.92	227.23	27.4	3.03	251.59	223.39	206.59	231.83	227.23	262.35	224.11	224.11
Brazil (30)	227.81	20.1	202.24	187.45	209.91	467.46	28.9	1.90	222.06	197.17	182.34	204.62	455.55	322.44	184.94	188.12
Canada (122)	206.50	8.8	183.32	169.92	190.28	214.62	18.9	1.84	206.50	183.35	169.56	190.28	214.62	233.66	178.27	188.30
Denmark (32)	442.37	25.7	392.72	364.00	407.62	406.33	43.9	1.26	442.35	392.77	363.22	407.60	406.33	442.37	341.80	341.80
Finland (28)	274.45	11.7	243.65	225.83	252.89	309.30	30.2	2.03	274.44	243.68	225.34	252.88	309.30	349.43	239.65	239.65
France (83)	233.30	9.0	207.12	191.97	214.97	217.07	24.3	2.45	233.31	207.16	191.57	214.98	217.12	248.23	209.30	210.78
Germany (58)	226.89	19.4	201.42	186.69	209.06	209.06	37.4	1.41	226.89	201.46	186.30	209.06	209.06	243.87	184.23	185.77
Hong Kong, China (66)	342.47	-32.5	304.03	281.80	315.57	340.71	-32.3	4.69	342.38	304.01	281.13	315.48	340.64	580.03	314.78	504.46
Indonesia (27)	67.21	-70.5	59.66	55.30	61.93	218.51	-33.9	3.08	61.95	55.00	50.86	57.08	218.51	254.90	52.01	225.41
Ireland (16)	388.13	18.0	344.57	319.37	357.64	378.62	38.3	2.61	388.30	344.78	318.84	357.80	378.62	409.57	314.65	314.65
Italy (53)	115.40	38.2	102.45	94.96	106.34	149.83	58.0	1.63	115.27	102.35	94.65	106.22	149.83	115.40	82.05	82.05
Japan (481)	92.46	-28.4	82.08	76.08	85.19	76.08	-19.7	1.04	92.04	81.72	75.57	84.81	75.57	141.12	91.17	129.38
Malaysia (107)	158.63	-73.7	140.82	130.53	146.17	234.92	-60.0	3.10	157.74	140.06	129.52	145.35	232.39	660.85	157.13	587.86
Mexico (26)	1721.35	41.1	1528.16	1416.41	1586.13	15328.20	46.0	1.59	1689.50	1500.14	1387.27	1556.79	15075.13	1901.98	1205.06	1205.06
Netherlands (19)	400.15	18.0	355.24	329.26	368.71	384.77	37.5	2.30	400.05	355.21	328.48	368.62	384.77	440.67	325.54	325.54
New Zealand (14)	73.29	-20.1	65.06	60.30	67.53	66.70	-3.3	4.63	73.39	65.16	60.26	67.63	66.70	96.47	73.21	91.06
Norway (38)	311.81	5.5	276.82	256.57	287.32	308.52	20.4	1.98	312.67	277.62	256.74	288.11	308.52	374.64	284.18	284.18
Philippines (22)	78.39	-61.5	69.59	64.50	72.23	156.07	-41.5	1.35	78.39	69.61	64.37	72.23	156.07	214.07	74.95	204.06
Singapore (42)	226.04	-46.2	200.67	186.00	208.29	174.11	-35.7	1.84	227.99	202.44	187.21	210.08	175.20	448.01	215.21	411.33
South Africa (43)	263.08	-17.4	233.56	216.48	242.41	279.43	-14.2	3.08	263.24	233.74	216.15	242.56	279.43	370.12	251.92	313.59
Spain (93)	268.03	21.9	237.95	220.55	246.98	304.97	40.8	2.26	268.82	238.69	220.73	247.70	305.95	277.33	206.12	216.83
Sweden (48)	456.47	8.2	405.24	375.61	420.61	524.36	23.0	1.98	456.11	404.98	374.51	420.28	524.36	538.94	405.00	410.51
Switzerland (31)	334.24	40.1	296.73	275.03	307.98	297.19	49.6	1.13	334.59	297.09	274.74	308.31	297.19	337.11	231.69	234.00
Thailand (39)	18.54	-80.7	16.46	15.25	17.08	34.03	-64.3	8.45	19.14	16.99	15.71	17.63	35.09	103.98	18.54	96.83
United Kingdom (213)	329.01	18.2	292.09	270.73	303.17	292.09	19.1	3.37	328.96	292.09	270.11	303.12	292.09	337.98	271.72	274.98
USA (640)	382.42	26.7	339.50	314.68	352.38	382.42	26.7	1.62	380.87	338.18	312.73	350.95	380.87	401.22	299.79	307.34
Americas (816)	347.50	25.8	308.50	285.94	320.20	293.37	26.2	1.68	346.03	307.24	284.13	318.84	292.13	365.75	274.42	280.70
Europe (702)	284.73	18.8	252.77	234.29	262.36	265.75	30.0	2.42	284.75	252.83	233.81	262.38	265.79	296.25	233.84	233.84
Nordic (147)	402.96	11.1	357.73	331.57	371.30	404.41	26.8	1.86	402.87	357.71	330.80	371.22	404.41	464.93	352.62	352.62
Pacific Basin (872)	102.80	-30.9	91.26	84.59	94.73	85.52	-21.9	1.73	102.41	90.93	84.09	94.36	85.06	158.99	101.48	148.46
Euro-Pacific (1574)	178.67	-4.2	158.62	147.02	164.64	153.28	5.5	2.19	178.45	158.45	146.53	164.43	153.03	209.12	173.55	183.96
North America (762)	371.24	25.8	329.57	305.47	342.08	371.15	26.1	1.63	369.80	328.35	303.65	340.75	369.71	389.57	292.34	300.11
Europe Ex. UK (489)	254.73	20.4	226.14	209.61	234.72	244.84	36.6	1.86	254.78	226.22	209.20	234.77	244.90	267.07	207.11	207.11
Pacific Ex. Japan (391)	194.89	-38.2	173.01	160.36	179.58	195.60	-28.1	4.00	194.62	172.80	159.80	179.33	195.53	320.65	192.39	311.11
World Ex. US (1795)	182.45	-3.3	161.98	150.13	168.12	159.89	6.0	2.17	182.16	161.74	149.57	167.85	159.57	212.89	176.94	186.13
World Ex. UK (2222)	239.10	9.3	212.27	196.74	220.32	217.33	15.0	1.71	238.34	211.62	195.70	219.61	216.59	262.69	211.16	219.62
World Ex. Japan (1954)	323.84	18.3	287.50	266.48	298.41	316.67	23.1	2.00	322.99	286.79	265.21	297.62	315.86	344.35	270.77	273.76
The World Index (2435)	246.71	10.0	219.02	203.00	227.33	224.09	15.4	1.89	246.00	218.43	201.99	226.68	223.41	268.47	216.61	224.35

 CONSTITUENT CHANGES DURING THE WEEK ENDING 26/12/97: Deletions: Worms & Cie (France); Freeport McMoRan (USA); Cifra CI 'A' (Mexico); Name changes: Cifra C 'B' to Cifra CI 'V' (Mexico); Usinor Sacilor to Usinor (France). Markets open 26/12/97: Brazil, France, Japan, Malaysia, Mexico, Singapore, Spain, Thailand and USA.

Emerging markets: IFC investable indices

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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1pm close Dec 26

NEW YORK STOCK EXCHANGE PRICES

- A - [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

- T - [illegible]

- U - [illegible]

- V - [illegible]

- W - [illegible]

- X - Y - Z -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev
87½	51½	Xerox x	1.28	1.9	17	2387	69½	68½	68¾	[illegible]
60	40½	Xtra Corp	0.80	1.4	20	23	57⅜	57¼	57½	[illegible]
26	20¾	Yankee Egy x	1.34	5.0	18	738	29⅛	26⅞	26⅞	[illegible]
58	37⅞	York Intl x	0.48	1.2	14	448	40	39⅝	39⅝	[illegible]
8¾	4	Zapata	0.28	4.1	57	52	6⅞	6⅞	6⅞	
13⅛	5⅛	Zenith El				1122	5⅞	5¾	5½	[illegible]
28¾	24⅝	Zenith Nat	1.00	3.8	16	35	26⅜	26¼	26¼	[illegible]
8⅞	7⅛	Zweig Inc x	0.76	8.2		7	9¼	9¼	9¼	[illegible]
32⅞	17⅛	Zero	0.12	0.4	21	42	30⅝	30¼	30¼	[illegible]
14	10½	ZweigFdR	1.32	10.0		76	13⅛	13⅛	13¼	
9⅝	8	Zweig Tot x	0.84	8.0		422	9½	9⅜	9⅜	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. pf-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7679.31	7660.13	7691.77	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.93	104.85†	104.98	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3101.69	3101.87	3124.36	3358.27 (16/10)	2222.07 (2/1)	3358.27 (15/10/97)	13.23 (8/7/32)
Utilities	267.60	267.71	268.43	268.43 (23/12)	209.47 (25/4)	268.43 (23/12/97)	10.53 (8/7/32)

DJ Ind. Day's high 7743.34 (7767.75) Low 7634.72 (7624.26) (Theoretical§)
Day's high 7717.93 (7740.35) Low 7659.14 (7660.13) (Actual§)

Standard and Poors	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	936.46	932.70	939.12	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1082.56	1078.44†	1084.36	1148.82 (7/10)	863.42 (11/4)	1148.82 (12/12/97)	3.52 (30/6/32)
Financial¶	114.06	113.42	115.04	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	493.60	492.32	494.85	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	663.77	662.60	660.53	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (18/7/95)
NASDAQ Cmp	1511.38	1499.53	1500.91	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	421.49	421.04	422.03	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 19	Dec 12	Dec 5	Year ago
Dow Jones Ind. Div. Yield	1.78	1.74	1.68	2.04
	Dec 17	Dec 10	Dec 3	Year ago
S & P Ind. Div. yield	1.49	1.48	1.46	1.87
S & P Ind. P/E ratio	25.90	26.09	26.33	22.74

US DATA

■ MARKET ACTIVITY

● Volume (million)	Dec 26	Dec 24	Dec 23
NYSE	156.567	265.990	518.861
Amex	8.841	14.516	28.374
NASDAQ	207.867	316.803	620.545

NYSE	Dec 26	Dec 24	Dec 23
Issues Traded	3,201	3,271	3,449
Rises	1,444	1,228	1,371
Falls	1,209	1,425	1,540
Unchanged	548	618	538
New Highs	60	114	168
New Lows	54	60	107

■ NYSE TRADING ACTIVITY — Volume : 156,667,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Dow Chem	7,148,900	99	+7
Amrco	2,932,500	22¼	-¼
Compaq	1,758,500	53¾	-¼
EMC Corp	1,314,700	24⅞	+¼
Frd BM Rms	1,181,000	18⅞	-⅞
Unicom	1,147,200	30	+¼
Callaway Gf	1,043,000	28⅞	+2⅝
AT&T	985,700	63¼	+⅞
GEC	917,300	70⅞	-⅛
Pepsico	880,200	34⅞	+⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Callaway Gf	28⅝	+2⅝	+10.5
Bco Santndr	30½	+1½	+5.2
Mail-Well	37⅞	+1¾	+4.8
EVI	47⅝	+1⅞	+4.1
Downs			
Welder Nat	11½	-1⅛	-8.8
Franklin Cvy	20⅞	-1¼	-5.9
Times Mirror	24½	-1⅛	-4.4
FST Cmnwlth	32⅛	-1¼	-3.8

■ NASDAQ TRADING ACTIVITY — Volume :207,867,176

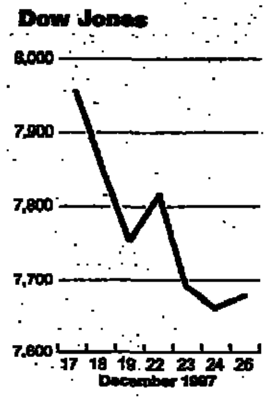
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Microsoft	4,048,600	120.⅛	+1⅞
Oracle	3,762,400	21¼	+⅛
Intel	3,703,900	70⅝	+⅛
Cisco	3,482,500	53¾	+1⅛
Dell Comp	3,108,500	78⅝	+⅞
Three Com	1,942,300	33¾	+⅛
Appld Matl	1,894,400	29¼	+½
Worldcom	1,828,300	30¼	+¼
Informix	1,787,300	4⅝	-¼
Novell	1,534,000	7¾	+¼

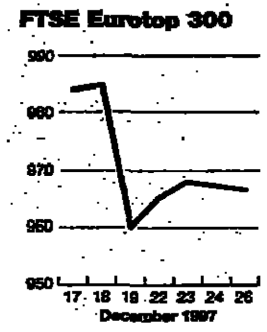
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Nanophase	14⅛	+4⅞	+50.7
Unt Fd Svgs	21	+4	+23.5
Heartscan	11⅞	+2⅛	+23.4
Pegasus Pharm	12⅛	+2¼	+20.5
Downs			
Del El	7⅛	-2	-20.5
SGS Sys	29⅛	-3⅞	-11
Parkervision	18⅛	-1⅝	-8.7
Alld Capital	21⅛	-2⅛	-8.9

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 26	Dec 25	Dec 24	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	14802.60	15300.10	14924.98	20681.07	14709.40	38915.9	85.25

■ TOKYO TRADING ACTIVITY — Volume : 634,000,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Tomen	50,257,000	78	+15
Toshoku	7,498,000	1	
Sanyo Secs	7,310,000	2	
Yamaichi	7,018,000	1	-1
Long Credit	6,835,000	182	-18
Daiwa Bank	5,536,000	270	+5
Sakura Bank	5,790,000	385	-4
Kobe Steel	4,731,000	101	+1
Nippon Credit	4,589,000	112	-1
[illegible]	4,462,000	101	+29

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Orient Watch	165	+50	+43.5
[illegible]	101	+29	+40.3
L&M Foods	109	+29	+36.3
[illegible]	245	+60	+32.4
Downs			
Toho Chem	160	-210	-56.3
Chuhei Shinyo	400	-314	-44
Sanko Eng	120	-50	-29.4
Marubeni Con	90	-30	-25

FRANCE

	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2871.27	2874.08	2858.13	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY — Volume : 117,016,370

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
CF Paribas A	448,209	501	-5
Ass G de Fr	380,411	316.8	-1.2
AXA-Uap	214,391	461	-4
Eaux (Cie Gn)	147,145	695	
Euro Disney	130,134	7	-0.15
Elf Aquitaine	115,538	684	+1
Fr Telecom	114,520	208.4	+0.4
Rho-Pinc A	100,816	255	+2.4
Danone	98,877	1069	-8
Metrologie	91,450	15.55	+0.4

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
GTMH	67.85	+11.75	+20.9
Arbel (B)	40	+5	+14.3
Forinter	798	+74	+10.2
Fonds	198.4	+18.3	+10.2
Rentolol	117.7	+10.7	+10
Downs			
Bqe Vernes	151	-22.8	-13.1
Slimp	100	-10	-9.1
Sole (LA)	217	-18	[illegible]

GERMANY

	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	closed	closed	4121.79	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 10,814,219

■ ACTIVE STOCKS

Tues 23	Stocks traded	Close price	Day's change
Commerzbank	940,223	73.9	+1.4
Deutsche Tel	572,435	31.9	+0.65
Bayer	643,844	63.2	+3.2
Siemens	530,701	102.15	+1.6
Deutsche Bnk	417,492	122.95	-1.15
Veba	401,223	119.95	+4.85
Dresdner Bnk	389,171	83.0	+1.9
BASF	389,979	61.1	+1.8
Hoechst	353,863	58.7	+0.9
Daimler Benz	300,193	120.5	+7.2

■ BIGGEST MOVERS

Tues 23	Close price	Day's change	Day's chge %
Ups			
Bien-Haus	500	+50	+11.1
Einhell NV	26	+2	+8.3
Mobau	12	+0.9	+8.1
Bilfgr & Bgr	57.4	+3.8	+7.1
Downs			
Glunz	52	-5	-8.8
Herlitz	151	-11	-6.8
Zanders NV	110	-8	-6.8
Sixt	134	-9	-6.3

UK

	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	closed	5013.9	5049.8	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 241,600,000

■ ACTIVE STOCKS

Wed 24	Stocks traded	Close price	Day's change
Sears	38,298,000	48½	+0.1
Ind Cntrl Sv	11,378,500	40	
Dares Est	7,980,900	17	+½
BTR	7,336,706	180	
Smith DS	6,238,611	201½	
Vodafone	4,897,582	440	-10½
Courtaulds	3,589,587	283½	-4½
ASDA	2,901,337	178	
Glaxo W	2,351,842	1425	
BAT Inds	2,300,652	537	+7

■ BIGGEST MOVERS

Wed 24	Close price	Day's change	Day's chge %
Ups			
Fairway	61½	+21	+51.8
Innov Tech	108½	+14	+14.8
Sibir Engy	37½	+4	+11.9
Teppel Lfe	52	+5½	+11.8
Downs			
Danka Busn	222½	-26	-10.5
XCL Ltd	240	-22½	-8.6
ILP	32½	-3	-8.4
Value Grp	65	-5½	-7.8

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	948.00	945.90	+3.70	950.50	943.20	38,274	352,807
Jun	957.30	955.90	+3.80	960.00	953.50	264	8,392
■ Nikkei 225							
Mar	15300.0	14750.0	-	15450.0	14720.0	25,781	165,687
Jun	15180.0	14770.0	-	15180.0	14770.0	6	30,649
■ CAC-40 (200 x Index)							
Dec	2885.0	2872.0	-4.0	2872.0	2870.0	42	22,802
Jan	2880.0	2878.5	-4.0	2879.0	2875.0	40	29,506
■ DAX							
Mar	4160.0	4170.0	-	4190.5	4138.0	14,854	70,128
Jun	4195.0	4196.0	-	4200.0	4193.0	6	8,037
■ OMX							
Dec	2282.75	2276.50	-	2294.75	2268.75	1,903	10,786
Jan	2289.00	2270.00	-	2301.25	2264.00	5,374	20,432
■ SOFFEX							
Jan	6030.0	6051.0	+1.0	6055.0	6027.6	937	19,541
Mar	-	6067.0	+1.0	-	-	-	-

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Yield	P/E
[illegible]								

NASDAQ NATIONAL MARKET

4pm close Dec 26

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4pm close Dec 26

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 29

Iranian pipe of peace

Iranian president Mohammad Khatami makes his first foreign visit as head of state to neighbouring Turkmenistan to open a pipeline bringing natural gas from the former Soviet republic to Iran. The line, which was financed and built by Tehran, will bring Turkmen gas from the Korpedzhe field to Kurt-Kui in Iran's populous north, and may eventually form a link in more ambitious plans to export Turkmen gas to Turkey and further afield in Europe. The event is likely to be heavy with political symbolism, as it will confirm Iran's growing economic interest in the oil and gas-rich Caspian Sea region.

Kenyan elections

President Daniel arap Moi is strongly tipped to win the second multiparty elections in Kenya's history, thanks in part to an electoral system tilted in his favour and a split opposition. The opposition, divided on tribal lines, has failed to unite behind a single candidate, and is fielding 14 separate challengers. Mr Moi's aim is to repeat his 1992 performance, when he won at least 25 per cent of the vote in five of Kenya's eight provinces, thereby avoiding a risky second-round run-off.

Chequered future

Luke McShane, 13, will be the media star at the Hastings Congress, now in its 73rd year and the chess world's longest running annual tournament (until January 8). The City of London schoolboy is the youngest ever invited to take on the grandmasters in the Premier at the Cinque Port Hotel. The previous record-holder, Nigel Short at 14, went on to challenge for the world title, and some experts believe that McShane, already the youngest international master and the British Chess Federation's player-of-the-year, could go one better. The opposition will be no pushover, though. All but one of McShane's nine rivals are grandmasters and three of them have come straight from the world championship knockout in the Netherlands. At a less exhalted level, Hastings also stages the World Amateur Championship.

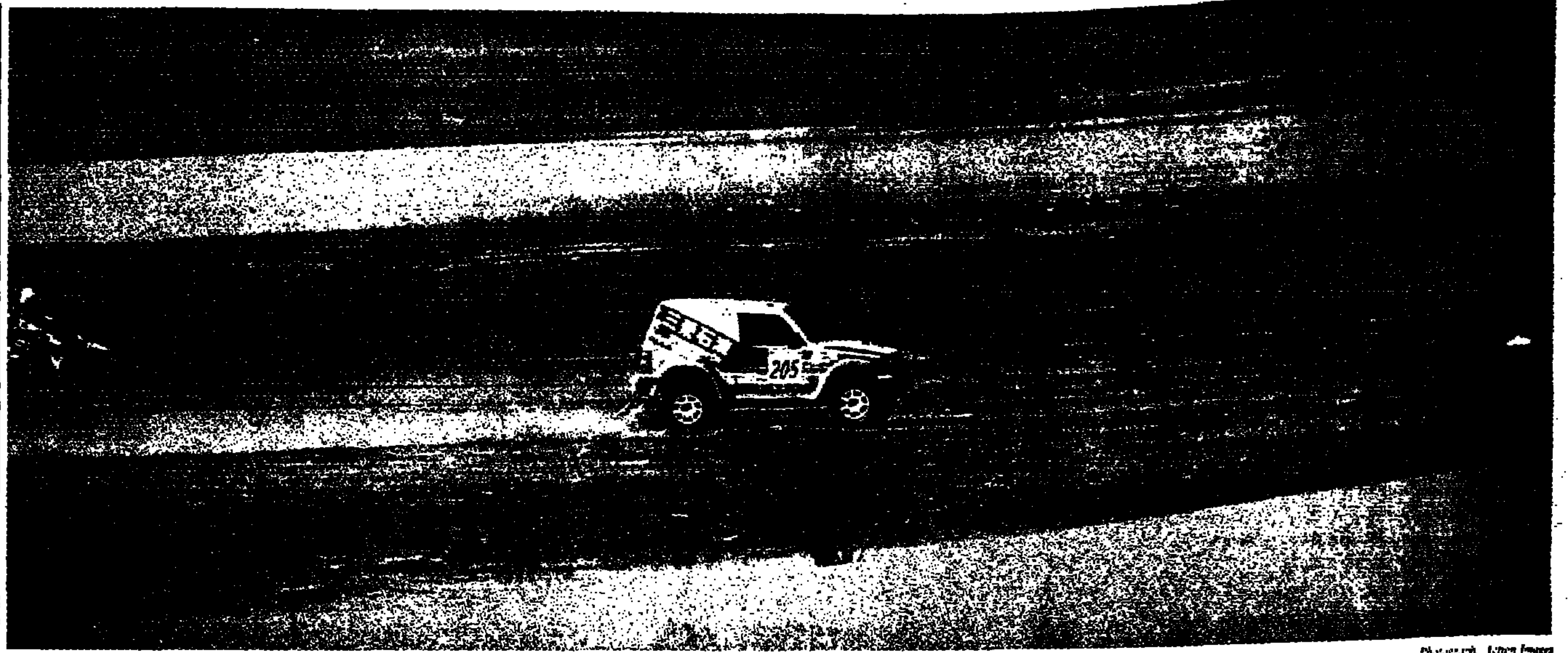
Holiday

Costa Rica, Ireland, Nepal, UK.

TUESDAY 30

Talking heads

Athens hosts the 18th World Universities' Debating Championships with 700 participants talking their way to a grand final on January 5.



New Year's Day sees the start of the 20th Paris-Dakar Rally in which 850 motorised competitors pit their vehicles against the deserts of North Africa

All downhill

The world cup men's downhill skiing event takes place in Bormio, Italy.

Pitch up

Cricket: End of the first test Australia v South Africa in Melbourne and the end of the second under-19 test between South Africa and England at Fochville.

Small things

The International Model Show and The Model Engineer Exhibition opens at Olympia in London, to January 4.

Holiday

Costa Rica, El Salvador, Philippines.

WEDNESDAY 31

Changing hands

Luxembourg relinquishes its six-month European Union presidency.

Nigerian budget

Nigeria's 1998 fiscal budget, the year's main statement of economic policy and direction, released.

Time expired

Deadline set by the Organisation for Security and Co-operation in Europe for the implementation of results of Sarajevo's municipal elections expires.

Holidays

Argentina, Armenia, Azerbaijan, Bangladesh, Brazil, Canada, Chile, Costa Rica, El Salvador, Finland, Germany, Guatemala, Israel, Italy, Japan, Latvia, Liechtenstein, Madagascar, Mexico, Montserrat, Norway, Pakistan, Panama, Philippines, Qatar, San Marino, Sweden, Switzerland, Tahiti, Thailand, US, Vatican City.

THURSDAY 1

Clearing the rouble

The Russian Central Bank will redenominate the rouble, cutting three zeroes off the value of each note. The aim is to help restore popular faith in the rouble, the value of which has plummeted nearly 10,000 fold since the collapse of the Soviet Union.

Grandmasters' battle

The first World chess championship knockout reaches its controversial climax at the International Olympic Committee headquarters in Lausanne. Despite protests, the holder Anatoly Karpov was seeded to a special challenge round. Last week it seemed that the Russian could meet a Briton, as the UK's top pair Michael Adams and Nigel Short were paired in a semi-final. Chess fans hope that one of the Britons or India's Vishy Anand can outwit Karpov and then play world number one Garry Kasparov, who refused to compete in the current series.

Paris-Dakar

The 20th Paris-Dakar Rally gets under way when 850 entrants in cars and trucks and on motorcycles leave Versailles. Fewer than half are likely to finish the gruelling 6,400 mile event, which includes nearly 4,000 miles of special stages. More than 100 journalists and 130 television people will record the event; 35 doctors and 30 aircraft will be ready to round up the casualties.

Telecoms rules off

The last of the barriers that have protected Europe's telecommunications monopolies is demolished, replacing cosy collaboration with fierce competition in the lucrative fixed line voice business. Now foreign companies can, subject only to national security concerns, can take unlimited stakes in domestic operators in the $200bn market. The change is expected to provoke a struggle for market share of unprecedented savagery, reminiscent of the bloodbath in the US airline business after deregulation.

Clear for take-off

Taiwan imposes a ban on residents near airports breeding songbirds and pigeons in a move aimed at ensuring air safety.

UK presides

Britain takes over the EU presidency for six months.

Puffed out

A smoking ban is imposed in all United Nations buildings throughout the world.

Holidays

Albania, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Lithuania, Luxembourg, Macedonia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Ukraine, UK, Yugoslavia, Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Peru, US, Venezuela, Russia, Netherlands, Bahrain, Benin, Cameroon, Central African Republic, Cyprus, Gambia, Ivory Coast, Jordan, Kuwait, Lebanon, Liberia, Malta, Mauritania, Morocco, Niger, Nigeria, Senegal, South Africa, Togo, Turkey, United Arab Emirates, Zimbabwe, Australia, China, Hong Kong, Japan, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka.

FRIDAY 2

Veteran canvasser

Largest ever exhibition of Winston Churchill's paintings goes on show at Sotheby's Bond Street, plus paintings by artists who influenced the former British prime minister.

Holidays

Bulgaria, Czech Republic, Hungary, Macedonia, Poland, Romania, Russia, Slovakia, Switzerland, Yugoslavia, Malta, Japan, New Zealand.

SATURDAY 3

Congo shuffle

Laurent Kabila, the president of the renamed Democratic Republic of Congo, is expected to make public the details of a cabinet reshuffle that has been under discussion for several months. The government that took power after the late Zairean president Mobutu Sese Seko fled into exile last May has been struggling to forge a common identity, torn between military men and civilians, reformed Maoists and free marketeers, easterners with close ties to Rwanda and southerners with links to Angola. The reshuffle will indicate which faction is in the ascendant as Mr Kabila tightens his grip on power.

Survey

FT Investors Guide to the Year Ahead.

Holiday

Japan.

SUNDAY 4

Interior dialogue

Ministers of interior of Arab countries hold their annual meeting in Tunis.

Holiday

Japan.

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ECONOMIC DIARY

Other economic news

Monday: Consumer prices in Belgium are expected to have remained tame in December, thanks to lower oil prices.
Tuesday: French unemployment is unlikely to have changed in November, with analysts expecting the rate to be stable at 12.5 per cent.
Wednesday: Third quarter GDP growth in Italy may reflect expansion in services and production output, putting its annual rate at around 2 per cent.
Thursday: Markets closed in most countries.
Friday: Broad money supply and consumer credit figures released in the UK, with November expected to show strong net growth in consumer borrowing.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Nov exisiting home sales	4.39m	4.40m
Dec 29	Brazil	Dec IGP-M Nov 21-Dec 20 FGV	0.40%	0.53%
	Belgium	Dec consumer price index* prelim	0.2%	0.3%
	Belgium	Dec consumer price index** prelim	1.4%	1.4%
Tues	France	Nov unemployment rate	12.5%	12.5%
Dec 30	France	Nov jobseekers*	0.1%	-0.4%
	France	Dec industrial survey	17	17
	Sweden	Nov trade balance	SKr12.1bn	SKr12.4bn
	Sweden	Oct Labour costs		3.7%
	US	Bank of Tokyo-Mitsubishi Dec 27		N/A
	US	Dec Chicago PMI†	57.8%	59.5%
	US	Nov leading indicators	0.1%	0.1%R
	US	Redbook Dec 27		N/A
	US	Dec agriculture prices		Unch
Wed	Finland	Oct gross domestic product		5.7%
Dec 31	Italy	Q3 final gross domestic product***	0.4%	0.4%
	Italy	Q3 final gross domestic product**	1.9%	1.9%
Fri	Germany	Dec purchasing managers index†		57.80
Jan 2	UK	Dec Chart Ins of Purchasing Managers		53.9%
	UK	Nov consumer credit		901m
	US	Dec Nat Ass of Purchasing Managers	53.5%	54.4%
	US	Dec domestic auto sales	6.6m	6.5m
	US	Dec domestic light truck sales	6.5m	6.7m
During the week...				
	Switzlnd	Dec federal consumer price index*	0.1%	0.0%
	Switzlnd	Dec federal consumer price index**	0.4%	0.4%
	Germany	Nov VDMA machinery orders**		10.0%
	Germany	Nov net foreign bond purchases		DM-2.4bn

*month on month, **year on year, ***qtr on qtr, † seasonally adjusted — *Statistics, Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 28.12.97 — Final Prices for Trading on 30.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.52	14.61	14.35	1.04
0100	18.01	21.27	21.01	1.04
0130	18.01	31.80	31.54	1.04
0200	27.48	30.33	30.06	1.04
0230	27.48	24.35	24.09	1.04
0300	27.48	24.35	24.09	1.04
0330	25.81	24.35	24.09	1.04
0400	25.81	24.35	24.09	1.04
0430	18.01	14.44	14.17	1.04
0500	17.46	14.44	14.17	1.04
0530	27.15	14.13	13.87	1.04
0600	27.15	14.13	13.87	1.04
0630	27.15	14.13	13.87	1.04
0700	17.15	14.13	13.87	1.04
0730	17.15	14.13	13.87	1.04
0800	10.51	14.13	13.87	1.04
0830	10.50	14.13	13.87	1.04
0900	10.51	14.13	13.87	1.04
0930	24.94	14.97	14.71	1.04
1000	26.87	21.73	21.46	1.04
1030	26.87	21.73	21.46	1.04
1100	26.87	21.73	21.46	1.04
1130	22.12	24.64	24.38	1.04
1200	22.12	28.60	28.33	1.04
1230	22.12	28.60	28.33	1.04
1300	22.12	28.60	28.33	1.04
1330	22.12	18.06	17.79	1.04
1400	22.12	15.91	15.65	1.04
1430	17.74	15.91	15.65	1.04
1500	17.74	15.91	15.65	1.04
1530	17.74	15.91	15.65	1.04
1600	17.47	17.85	17.58	1.04
1630	17.25	15.91	15.65	1.04
1700	18.16	31.31	31.05	1.04
1730	18.16	29.94	29.68	1.04
1800	18.16	31.31	31.05	1.04
1830	18.16	31.31	31.05	1.04
1900	18.16	24.79	24.53	1.04
1930	24.10	22.83	22.56	1.04
2000	24.10	22.76	22.49	1.04
2030	24.10	19.95	19.69	1.04
2100	23.57	17.95	17.68	1.04
2130	23.57	19.37	19.11	1.04
2200	23.57	17.85	17.58	1.04
2230	23.57	15.91	15.65	1.04
2300	14.94	15.15	14.88	1.04
2330	14.94	15.15	14.88	1.04
2400	14.94	11.01	11.01	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.99/MWh becomes 1.699p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 29.12.97 — Final Prices for Trading on 01.12.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.52	15.15	15.43	1.39
0100	18.84	15.15	15.43	1.39
0130	18.84	36.47	36.75	1.39
0200	24.94	36.47	36.75	1.39
0230	24.94	15.15	15.43	1.39
0300	24.94	15.15	15.43	1.39
0330	23.92	15.15	15.43	1.39
0400	23.92	15.15	15.43	1.39
0430	23.92	15.15	15.43	1.39
0500	14.84	15.15	15.43	1.39
0530	23.43	10.52	10.52	0.00
0600	23.43	10.52	10.52	0.00
0630	23.43	13.32	13.32	0.00
0700	23.43	23.34	23.63	1.39
0730	10.56	30.36	30.64	1.39
0800	10.56	31.20	31.49	1.39
0830	10.56	49.80	50.09	1.39
0900	24.54	49.84	50.15	1.39
0930	14.85	56.34	56.67	1.39
1000	22.13	56.36	56.70	1.39
1030	22.13	56.36	56.69	1.39
1100	22.13	49.89	50.21	1.39
1130	21.13	49.90	50.23	1.39
1200	21.13	41.12	41.45	1.39
1230	21.13	41.10	41.42	1.39
1300	21.13	36.91	37.23	1.39
1330	18.24	36.90	37.21	1.39
1400	18.24	36.91	37.22	1.39
1430	97.26	36.90	37.21	1.39
1500	97.26	36.90	37.21	1.39
1530	97.26	37.00	37.34	1.39
1600	33.00	36.18	37.86	1.39
1630	27.58	82.03	91.69	1.39
1700	35.28	149.95	168.39	1.39
1730	57.12	185.82	205.38	1.39
1800	57.12	163.94	180.00	1.39
1830	57.11	88.51	94.38	1.39
1900	35.27	60.83	64.05	1.39
1930	22.81	48.96	50.13	1.39
2000	27.57	45.31	45.99	1.39
2030	22.61	38.12	38.47	1.39
2100	22.23	34.66	34.95	1.39
2130	23.86	31.19	31.48	1.39
2200	15.67	32.63	32.92	1.39
2230	15.18	31.18	31.47	1.39
2300	15.18	23.34	23.63	1.39
2330	15.18	22.41	22.70	1.39
2400	15.18	22.41	22.70	1.39

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.99/MWh becomes 1.699p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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MONDAY PRIZE CROSSWORD

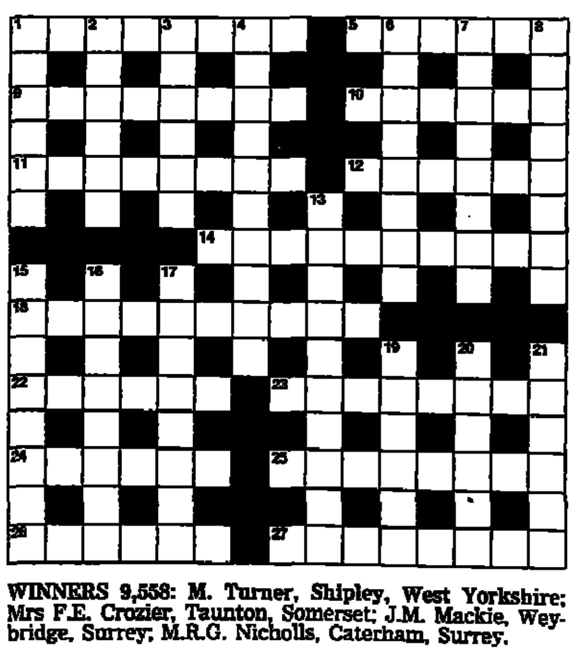
No.9,567 Set by ADAMANT

ACROSS

1 One on target to get married to Noah? (8)
5 Pair left in car (6)
9 Put money back into check waistcoat from America (8)
10 Heartless boy, left in the post (6)
11 Hardest way with a man of importance it's said (8)
12 A prop on the beach (6)
14 Memo: plenty available for training in the work (10)
18 The price of taking one out of sensible arrangement is weakness (10)
22 Last under-developed point (6)
23 At home in safe job (8)
24 Coaches one in short version (6)
25 Parish is destroyed by flying machines (8)
26 Odd sort of jewel, but it's a fair attraction (6)
27 Thought the world of one old-fashioned team (8)

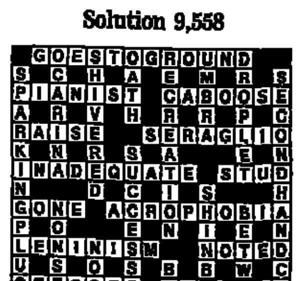
DOWN

1 Service absorbs alternative sticky patch (6)
2 Irish terrorists disturbed by the German invader (6)
3 Gavin's been converted and is redeeming others (6)
4 Mess about in compliance with judgment (10)
6 Classical journeys (8)
7 Given major uplift perhaps? (8)
8 Steel structure protects men from rain and snow (8)
13 Arranged in categories that are not available to the public (10)
15 A fellow about to defect from camp (8)
16 Ribbon for principal orchestra (8)
17 City girl (8)
19 Sly creature gets to West Stand (6)
20 Advertisement about university and its examinations (6)
21 Thoroughly acquainted with the poetry of Germany (6)



WINNERS 9,558: M. Turner, Shipley, West Yorkshire; Mrs F.E. Crozier, Taunton, Somerset; J.M. Mackie, Weybridge, Surrey; M.R.G. Nicholls, Caterham, Surrey.

Solution 9,558



JOTTER PAD